APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
FOURTH CIRCUIT

No. 95-3208

SHAKESPEARE COMPANY,
Plaintiff-Appellant,

v.

SILSTAR CORPORATION OF AMERICA, INCORPORATED,
Defendant-Appellee.

Argued Dec. 6, 1996

Decided April 3, 1997

Before WIDENER, MURNAGHAN, and NIEMEYER, Circuit Judges.

Affirmed by published opinion. Judge NIEMEYER wrote the opinion, in which Judge MURNAGHAN joined. Judge WIDENER wrote a dissenting opinion.

OPINION

NIEMEYER, Circuit Judge.

Shakespeare Company, the owner of a registered trademark for fishing rods that have a "whitish translucent" tip and a contrasting opaque shaft, brought this trademark infringement action against Silstar Corporation of America, Inc. which also manufactures a clear-tipped fishing rod. Because of the functional or descriptive aspects of

Shakespeare's mark, the district court initially ordered the Commissioner of the Patent and Trademark Office to cancel its registration. *See Shakespeare Co. v. Silstar Corp. of America, Inc.* (*Shakespeare I*), 802 F.Supp. 1386 (D.S.C.1992). On appeal, however, we held that because Shakespeare's trademark had become incontestable under 15 U.S.C. § 1065, it could not be canceled. We remanded the case for resolution of the remaining infringement issues. *See Shakespeare Co. v. Silstar Corp. of America, Inc.* (*Shakespeare II*), 9 F.3d 1091 (4th Cir.1993). On remand, the district court found, among other things, that "Silstar's use of the clear tip on its fishing rods will [not] create a likelihood of confusion" and that, in any event, Silstar had "established its fair-use defense." *Shakespeare Co. v. Silstar Corp. of America, Inc.* (*Shakespeare III*), 906 F.Supp. 997, 1001 (D.S.C.1995). We now affirm.

I

In the 1940s, fishing rods were manufactured from either hollow or solid fiberglass. Hollow fiberglass rods were lighter and less expensive than solid ones, but they were also more inclined to break, particularly at the tip. While solid rods were stronger, they were also heavier and more expensive than the hollow ones.

Shakespeare, which has been one of the leading manufacturers of fishing rods, developed a process that combined the benefits of each type of rod by joining a hollow fiberglass base to a solid fiberglass tip. With developments in graphite in the mid 1970s, Shakespeare added a graphite core to the base of the rod, making it even stronger. The tip remained solid fiberglass, which is both strong and flexible. Shakespeare patented its invention and for years was the only manufacturer of fishing rods with a hollow graphite base and a solid fiberglass tip.

Because graphite is naturally charcoal gray and fiberglass is naturally clear or "whitish translucent," Shakespeare's rods had a distinctive appearance when compared

to those of its competitors. While Shakespeare was at first troubled by the aesthetically unappealing two-toned rod, with increased consumer acceptance Shakespeare sought to capitalize on its appearance, deliberately marketing it in its natural two-toned appearance so that consumers could recognize the graphite base and solid fiberglass tip. Shakespeare denominated the rod the "Ugly Stik" and applied to the Patent and Trademark Office to register both the "Ugly Stik" mark and the two-toned appearance of the rod. The Patent and Trademark Office issued both trademarks. The mark covering the appearance of the rod claims exclusive right to market a fishing rod,

> in which the tipped portion of the shaft between the tip and the second line guide elements consist of whitish translucent material in contrast to the opaque remainder of the shaft.

United States Trademark Registration No. 1,261,786 (registered on the Principal Register). In 1989, this trademark became incontestable under 15 U.S.C. § 1065.

Silstar Corporation of America, Inc., a competing manufacturer who desired for quality purposes to market a fishing rod with a graphite base and fiberglass tip, began manufacturing such a rod through a process different from that used by Shakespeare. Because Silstar wanted to communicate to consumers the rod's graphite and fiberglass properties, Silstar left these materials with their natural color. The base and tip of its rods consequently appeared like Shakespeare's. Silstar called its rod the "Power Tip Crystal" rod. When Silstar introduced this rod in 1990, it knew that Shakespeare had a trademark for a rod with a "whitish translucent" tip and contrasting opaque base.

In response to Silstar's introduction of the Power Tip Crystal rod, Shakespeare filed this trademark infringement action. In defense, Silstar contended that Shakespeare could not claim a mark in the functional or descriptive design of the rod, arguing that even though Shakespeare's

mark had become incontestable, it should be canceled by the court under 15 U.S.C. § 1119. The case was tried to the district court without a jury, and after making findings of fact, the district court agreed with Silstar that Shakespeare's mark should be canceled. *See Shakespeare I*, 802 F.Supp. at 1399. The court found that Shakespeare's mark was nothing more than the natural appearance of the functional features of graphite fishing rods with solid fiberglass tips and therefore concluded that Shakespeare's mark was not subject to registration. *See id.* at 1398-99. The court ordered the Commissioner of the Patent and Trademark Office to cancel Shakespeare's mark from the register. *See id.* at 1399.

On appeal we reversed, holding that the Lanham Act did not authorize courts to cancel trademark registrations because of their functionality once they had become incontestable under 15 U.S.C. § 1065. We summarized:

> [W]e hold that the district court erred in canceling, pursuant to 15 U.S.C. § 1119, the trademark held by Shakespeare on the grounds that it is functional, because that is not an authorized ground for cancellation under 15 U.S.C. § 1064. Since no other ground enumerated under § 1064 was alleged by Silstar, the mark is valid as a matter of law. We therefore reverse the district court and remand the case for further consideration of Shakespeare's statutory and common law infringement and unfair competition claims. We further instruct the district court that any inquiry into an alleged "fair use" of the clear tip must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip.

Shakespeare II, 9 F.3d at 1099.

On remand, the district court addressed the remaining infringement issues and held that Shakespeare had failed to establish a likelihood of confusion from Silstar's clear-tipped rods and, alternatively, that Silstar had established

its fair-use defense. *See Shakespeare III*, 906 F.Supp. at 1001. The court also concluded that Silstar had failed to establish its unclean hands defense and its counterclaims. *See id.*

In assessing the likelihood of confusion from Silstar's fishing rods, the district court noted that Shakespeare was not entitled to a presumption of a likelihood of confusion based on Silstar's copying of Shakespeare's Ugly Stik rod. It concluded that because Silstar had merely sought "to reproduce and utilize a functional attribute, which is unquestionably a legitimate activity," *Id.* at 1010, the presumption of a likelihood of confusion was not created because such a presumption arises only from an " 'intent to exploit the good will created by an already registered mark.' " *Id.* (quoting *AMP, Inc. v. Foy*, 540 F.2d 1181, 1186 (4th Cir.1976)). In finding no exploitative intent, the court reiterated several of its factual findings: that Silstar used the clear tip to demonstrate its rods' quality, not as indicating origin; that whatever attention was drawn to the clear tip served only to inform buyers of the rods' components; that Silstar's descriptive use of the clear tip was the most effective means of marketing its rods in the descriptive sense; and, that there was no alternative as effective for demonstrating to consumers the rods' components since a clear tip and opaque gray shaft are the natural colors resulting from the manufacturing process. *See id.*

In support of its factual finding that Silstar's Power Tip Crystal rod was not likely to be confused with Shakespeare's Ugly Stik rod, the court found that, other than color similarities of the materials themselves, Silstar's rod differed significantly in overall appearance from the Shakespeare rod and that Silstar had taken specific measures to distinguish its rod. *See id.* at 1011. The court noted that although both companies used the same marketing facilities, the rods were usually displayed in a way that allowed consumers readily to see the manufacturer's

names, and that consumers usually inspected rods thoroughly before purchasing them. *See id.* The court acknowledged that the similar advertising channels and relative strength of Shakespeare's mark somewhat favored finding a likelihood of confusion. *See id.* at 1012-13. But, the court noted, Shakespeare's mark was not particularly strong; rather it was descriptive with some secondary meaning on which Shakespeare's marketing had not put much emphasis. *See id.* at 1013. At bottom, the court concluded that while the number of factors which favored Shakespeare was greater than the number which favored Silstar, the weight of the factors favoring Silstar was significantly greater than the weight of those favoring Shakespeare. *See id.* at 1014. The district court thus found as a matter of fact that Shakespeare had failed to establish a likelihood of confusion, an essential element of its infringement claim. *See id.*

In finding alternatively that Silstar had established a fair-use defense, the district court concluded that the fair-use defense may be available even where a likelihood of confusion has been established, and that " 'the strength of the plaintiff's mark and the extent of likely or actual confusion are important factors in determining whether a use is fair.' " *Id.* at 1015 (quoting *Restatement (Third) of Unfair Competition*, § 28 cmt. b (1995)). The court reiterated that it did not find Shakespeare's mark to be particularly strong, but that even if it were strong, its strength did not "outweigh Silstar's right to use the clear tip, . . . a functional attribute of these types of rods . . . as a descriptive device." *Id.* The court noted that Silstar acted in good faith in using the functional characteristics of the clear tip and in not seeking to use it as an identification of source. *See id.* at 1016. In reaching that conclusion, the court considered that the functionality and descriptiveness of Shakespeare's mark were relevant factors. *See id.*

This appeal followed.

II

Shakespeare first argues that as a matter of law, our earlier decision in *Shakespeare II* foreclosed any district court ruling based on the functional and descriptive aspects of its trademark because we held that a mark cannot be canceled on the ground that it is functional after it has become incontestable. Because the district court considered the functional and descriptive aspects of Shakespeare's trademark in determining that Silstar's actions were in good faith and constituted fair use, the district court's findings must, Shakespeare contends, be reversed. This argument raises a legal question which we review *de novo*.

In *Shakespeare II*, we held that the district court erred in canceling Shakespeare's trademark pursuant to 15 U.S.C. § 1119 on the grounds that it was functional. We concluded that 15 U.S.C. § 1064 does not include functionality as a ground for cancellation. *See Shakespeare II*, 9 F.3d at 1097. In reaching our conclusion, however, we considered functionality only as it might be a ground for canceling incontestable marks, observing that "since no other ground enumerated under § 1064 was alleged by Silstar, the mark is valid as a matter of law." *Id.* at 1099. Having disposed of that one issue, we remanded the case to the district court for consideration of the other issues in Shakespeare's infringement claim. *See id.* Under our holding, therefore, the district court could not on remand cancel Shakespeare's registration or find it otherwise invalid because of functionality. But in delimiting the court's power under 15 U.S.C. § 1119 and saying that the mark was valid as a matter of law, we did not hold that Shakespeare had proved the other elements of its trademark infringement case. Nor did we say that functionality or descriptiveness were irrelevant to other issues before the district court on remand. Accordingly, to the extent that either functionality or descriptiveness is relevant in considering either Shakespeare's *prima facie* case

for infringement or Silstar's fair-use defense, the district court did not err.*

On remand, the district court considered the functionality and descriptiveness of Shakespeare's mark in determining (1) whether Silstar's copying Shakespeare's mark entitled Shakespeare to a presumption of a likelihood of confusion; (2) whether there was in fact a likelihood of confusion; and (3) whether Silstar established its fair-use defense. We turn to the question of whether functionality or descriptiveness is relevant to these issues.

A

The presumption that intentionally copying someone else's mark causes a likelihood of confusion arises from the recognition that one who tries to deceive the public should hardly be allowed to prove that the public has not in fact been deceived. *See Osem Food Indus. v. Sherwood Foods, Inc.*, 917 F.2d 161, 165 (4th Cir.1990). But that presumption arises only when the copier "*inten*[*ds*] *to exploit the good will* created by an already registered trademark." *AMP*, 540 F.2d at 1186 (emphasis added). "A likelihood of confusion should not be inferred from proof that the actor intentionally copied the other's designation if the actor *acted in good faith under circumstances that do not otherwise indicate an intent to cause confusion or to de-*

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* While functionality and descriptiveness are distinct concepts in trademark law, they have the same legal effect on the issues before us. Silstar claims that its gray-based and clear-tipped rod represents the natural appearance of graphite and fiberglass used in a relationship that takes advantage of those materials' properties, and to that extent the appearance is the product of function. It also claims that the gray base and clear tip *describe* to the consumer the properties of those materials that make them suitable for their function, and in that sense the rod's appearance is descriptive. Whether the essence of Silstar's position—and the district court's opinion which agreed with Silstar—is that it was acting in good faith because of its rods' functionality or their descriptiveness need not be resolved, because, as we discuss below, either would supply a factual basis for a finding of good faith or fair use.

ceive." Restatement (Third) of Unfair Competition, § 22(2) (1995) (emphasis added).

The district court in this case was thus required to determine whether Silstar intended to deceive the public and exploit Shakespeare's goodwill. Conversely, it was free to consider as a factual matter, whether Silstar copied Shakespeare's rod with the intent of reproducing and using a functional aspect, which it was legally entitled to do. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 164, 109 S.Ct. 971, 984, 103 L.Ed.2d 118 (1989) (reproducing a functional attribute is a legitimate competitive activity); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 857-58 n. 20, 102 S.Ct. 2182, 2190 n. 20, 72 L.Ed.2d 606 (1982) ("[b]y establishing . . . that uniform capsule colors served a functional purpose, the petitioners offered a legitimate reason for producing an imitative product"); *see also Restatement (Third) of Unfair Competition*, § 22 cmt. c ("If the actor reasonably believes that the other's designation is functional . . ., proof that the actor intentionally copied the other's designation does not justify an inference of confusion"). Accordingly, when the district court considered the functional and descriptive aspects of Shakespeare's mark in determining whether to presume a likelihood of confusion, it considered relevant factors.

B

Similarly, the district court considered the functional and descriptive aspects of Shakespeare's marks in determining whether Silstar's competing clear-tipped fishing rod was in fact likely to confuse. In determining the likelihood of confusion, the court may consider—indeed, should consider—the mark's strength. *See Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.*, 43 F.3d 922, 934-35 (4th Cir.1995). Marks may be, in ascending order of strength, generic, descriptive, suggestive, or arbitrary. *See id.* at 933.

In this case when considering the strength of Shakespeare's mark, the court concluded that the mark was primarily descriptive, although it had some secondary meaning. *See Shakespeare III*, 906 F.Supp. at 1013. The court found that the mark carries very little secondary meaning since the functional aspects of the clear tip, rather than its source-identifying power, were emphasized in marketing. *See id.* In considering the functional or descriptive nature of the mark in this context, the court was simply following the factors already established earlier by this court. *See Perini Corp. v. Perini Const., Inc.*, 915 F.2d 121, 127 (4th Cir.1990) (including strength of mark as a factor courts should consider); *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir.1984) (same).

C

Finally, in resolving whether Silstar established a fair-use defense, the district court considered the functional and descriptive aspects of Shakespeare's mark. It concluded that functionality was a relevant factor where a party "in good faith and not as a means of source-identification [seeks] . . . to use a functional feature of a product which another party . . . has registered as a trademark." *Shakespeare III*, 906 F.Supp. at 1016. The district court had also previously noted that a clear-tip on a fishing rod demonstrates that the tip has strength because of its solid fiberglass construction. *See Shakespeare I*, 802 F.Supp. at 1391. The clarity was found to be a natural characteristic of solid fiberglass used in fishing rod tips, *see id.*, and such tips are undoubtedly functional. Thus, clarity is merely descriptive of a functional aspect of the rod. While such descriptive features would not normally be entitled to any trademark protection, the district court correctly noted that the mark had acquired some secondary meaning, entitling it to protection. But because clarity was a natural and descriptive characteristic of the rod's functional tip, the district court concluded that Silstar did not act in bad faith, but had a legitimate

non-predatory reason for giving its solid fiberglass tips a clear appearance. *See Shakespeare III*, 906 F.Supp. at 1010, 1015-16.

In *Inwood Labs.*, the Supreme Court concluded that color could serve an identifying function, which gave a good faith reason for imitation. *See* 456 U.S. at 857-58 n. 20, 102 S.Ct. at 2190 n. 20. There, the court accepted the district court's conclusions that a drug's color could function to identify its therapeutic affects. *Id.* Similarly, the district court, in deciding whether Silstar acted in good faith, considered clarity of fishing rod tips as identifying or describing the rod's construction. *See Shakespeare III*, 906 F.Supp. at 1015-16. To identify the rods' construction is a legitimate, nonpredatory purpose which tends to show a good-faith motivation for copying, which is an element of the fair-use defense. Identifying the clear tip's functional and descriptive nature was thus relevant to the court's inquiry.

III

Shakespeare next challenges the district court's conclusion that Silstar's sale of its Power Tip Crystal rods would not likely cause confusion with Shakespeare's Ugly Stik rods. Shakespeare contends that the district court (1) improperly denied it the presumption of a likelihood of confusion that flows from intentional copying and (2) clearly erred in finding as a fact that Shakespeare had not established a likelihood of confusion. We will address these points in order.

A

Whether Shakespeare was entitled to a presumption of a likelihood of confusion involves a question of law which we review *de novo*. Because the district court found that Silstar "had knowledge of, and essentially copied, Shakespeare's trademark," *Shakespeare III*, 906 F.Supp. at 1010, Shakespeare argues that the law of this circuit requires the court to have presumed that confusion was likely.

In *Osem Food,* we recognized that a presumption of a likelihood of confusion is appropriate in some circumstances:

> When a newcomer to the market copies a competitor's trade dress, its intent must be to benefit from the goodwill of the competitor's customers by getting them to believe that the new product is either the same, or originates from the same source as the product whose trade dress was copied. Logic requires, no less than the presumption of secondary meaning from copying, that from such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion

917 F.2d at 165. Our cases make clear, however, that that presumption arises only where the intentional copying is motivated by an "intent to exploit the good will created by an already registered trademark," *AMP,* 540 F.2d at 1186. We noted explicitly in *Osem Food* that a court should "require one who *tries to deceive customers* to prove that they have not been deceived." 917 F.2d at 165 (emphasis added); *see also Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir.1987) ("[w]here . . . one produces counterfeit goods in an apparent *attempt to capitalize upon the popularity of, and demand for, another's product,* there is a presumption of a likelihood of confusion") (emphasis added); *Allen v. Standard Crankshaft & Hydraulic Co.*, 323 F.2d 29, 36 (4th Cir. 1963) ("an apparent motive of the junior party to create confusion and to give to his goods a superficial appearance of being those of the senior party is properly considered"). In contrast, where the owner of the junior mark essentially copies a mark with no intent to exploit the senior mark's goodwill—such as to describe a functional aspect of the product—the party claiming infringement must prove the likelihood of confusion without the benefit of a presumption. *See Restatement (Third) of Unfair Competition,* § 22(2) (1995) ("[a] likelihood of confusion should not

be inferred from proof that the actor intentionally copied the other's designation if the actor acted in good faith under circumstances that do not otherwise indicate an intent to cause confusion or to deceive"). Thus, Shakespeare is entitled to the presumption of a likelihood of confusion only if Silstar's intent is to free-ride on Shakespeare's goodwill.

The district court concluded as a factual matter that "it is equally clear from the evidence presented at trial that Silstar's intent was not, and is not, to capitalize on, or otherwise exploit, Shakespeare's trademark." *Shakespeare III*, 906 F.Supp. at 1010. Indeed, although Silstar used a clear tip, the district court concluded that it had taken care to distinguish the overall appearance of its rods so consumers would not confuse Silstar's Power Tip Crystal rod for Shakespeare's Ugly Stik rod. *See id.* at 1011. Although we readily acknowledge that a factfinder could have concluded that Silstar intended to free-ride on Shakespeare's goodwill, we cannot conclude that the district court's contrary finding is clearly erroneous.

Even if Shakespeare were entitled to the presumption, the district court found that Silstar had introduced sufficient evidence to rebut the presumption (returning the burden of persuasion to Shakespeare) and to entitle the court to find that there was no likelihood of confusion. *See id.* at 1011 n. 17. Again, we cannot conclude that the district court was clearly erroneous in finding that Silstar had presented enough evidence to rebut a presumption of the likelihood of confusion.

B

Shakespeare contends further that, in any event, the court clearly erred in holding that it had not factually established a likelihood of confusion. Whether Silstar's Power Tip Crystal rod is likely to cause confusion with Shakespeare's Ugly Stik rod, so that an appreciable number of the public attribute Silstar's product to Shakespeare,

is "an inherently factual issue that depends on the facts and circumstances in each case." *Lone Star Steakhouse*, 43 F.3d at 933 (internal quotations omitted). In resolving that factual question, a district court must consider any factor relevant to whether confusion is likely between the two marks. *See Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882, 885 (4th Cir.1963). We review the district court's findings for clear error. *See Pizzeria Uno*, 747 F.2d at 1526.

We have, over the course of several cases, developed factors for courts to consider in determining the likelihood of confusion. They include (1) the strength or distinctiveness of the mark; (2) the similarity of the two marks; (3) the similarity of the goods or services which the marks identify; (4) the similarity of the facilities used by the parties in conducting their businesses; (5) the similarity of advertising used by the parties; (6) the defendant's intent in using the mark; (7) actual confusion; (8) the proximity of the products as they are actually sold; (9) the probability that the senior mark owner will "bridge the gap" by entering the defendant's market; (10) the quality of the defendant's product in relationship to the quality of the senior mark owner's product; and (11) the sophistication of the buyers. *See, e.g., Perini*, 915 F.2d at 127; *Pizzeria Uno*, 747 F.2d at 1527. The list of these factors, however, is neither exhaustive nor exclusive, and some of the factors may not always be relevant or equally emphasized in each case. *See Anheuser-Busch Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 320 (4th Cir.1992); *Durox*, 320 F.2d at 885. We articulate them to focus an inquiry that must be tailored to the factual circumstances of each case.

In resolving this case, the district court applied each of the *Pizzeria Uno/Perini* factors, concluding that while a larger number of factors favored Shakespeare, the more relevant and weighty factors favored Silstar. Thus the court found that (1) the mark's strength, which somewhat

favored Shakespeare, nevertheless had little power in identifying its source, *see Shakespeare III*, 906 F.Supp. at 1012-13; (2) the marks' similarity was largely negated by overall appearances of the rods and the buyers' sophistication, *see id.* at 1011; (3) the fishing rods were found to differ in overall appearance, *see id.*; (4) though Shakespeare and Silstar used similar facilities, the sophistication of buyers and the marketing of the rods at eye level negated the possible confusion that might result, *see id.*; (5) although the companies used similar advertising media, little emphasis was placed on the tip as identifying Shakespeare, and the sophistication of buyers negated any confusion, *see id.* at 1012; (6) Silstar's intent did nothing to establish the likelihood *vel non* of confusion, *see id.* at 1012 n. 21; (7) actual confusion, even though favoring Silstar, was of limited importance because significant distribution of Silstar rods had been prevented by preliminary injunction, *see id.*; (8) although the products were marketed very close to one another, the overall appearance and sophistication of buyers negated any confusion, *see id.* at 1012; (9) "bridging the gap" was of no relevance since the two companies were already competitors, *see id.* at 1012 n. 21; (10) since the quality of the products was almost identical, a comparison was not helpful, *see id.*; (11) the sophistication of buyers, how they examined the rods and what inspection they did before buying, strongly favored Silstar, *see id.* at 1011-13. We can find no clear error in the district court's conclusions. Each relevant factor was considered and the weight accorded to each factor was reasonably defended.

IV

Finally, Shakespeare contends that (1) because it established a likelihood of confusion, the district court should not, as a matter of law, have considered Silstar's fair-use defense, and (2) in any event the court clearly erred in finding as a matter of fact that Silstar's use of the clear tip was fair.

A

To maintain its argument that a finding of a likelihood of confusion legally precludes consideration of the fair-use defense, Shakespeare relies on the district court decision in *Dayton Progress Corp. v. Lane Punch Corp.*, 12 U.S.P.Q.2d 1695, 1989 WL 64728 (W.D.N.C.1989), and our review of the same case, *Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836 (4th Cir. 1990). We do not agree, however, that these decisions support Shakespeare's legal position.

The district court in *Dayton Progress* concluded that the infringer's use of Dayton's product "was not undertaken in good faith and was not intended by [the infringer] as a non-trademark use" of the product. 12 U.S.P.Q.2d at 1708. The court concluded, therefore, that the infringer could not rely on the defense of fair use. *See id.* The court did not conclude, however, that the likelihood of confusion precluded the fair-use defense; rather its finding of *bad faith* precluded use of the defense. On appeal, we so understood the district court's decision, observing:

> To establish a fair use defense for these [products], [the infringer] must prove that [the products] are used "fairly and in good faith" only to describe the punches and that the infringing mark is not used as a trademark. Here, the district court found that [the infringer's] adoption and use of [the marks] was not in good faith.

Dayton Progress, 917 F.2d at 840 (citations omitted). Because we concluded that the district court's finding of bad faith was not clearly erroneous, we affirmed the district court's rejection of a fair-use defense. *See id.* We did not, however, hold that a finding of a likelihood of confusion *per se* precludes consideration of the fair-use defense.

Beside the fact that our prior cases do not support Shakespeare's legal argument, it defies logic to argue that

a defense may not be asserted in the only situation where it even becomes relevant. If a fair-use defense is not to be considered when there is a likelihood of confusion, then it is never to be considered. The fair-use defense comes into play only when infringement—including a likelihood of confusion—has been established. A defense which can be considered only when the *prima facie* case has failed is no defense at all. While it is true that *to the degree* that confusion is likely, a use is less likely to be found fair, it does not follow that a determination of likely confusion precludes considering the fairness of use. The district court correctly followed our mandate in *Shakespeare II* that "any inquiry into an alleged 'fair use' of the clear tip must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip." 9 F.3d at 1099.

B

In considering Silstar's fair-use defense, the district court found as a fact that Silstar had acted in good faith. The court found expressly that Silstar's use of a clear tip was to take advantage of its functional and descriptive aspects and not "to use the clear tip as [identifying] a source of origin of the rods." *Shakespeare I*, 802 F.Supp. at 1393. The court continued that "Silstar does not seek to use the clear tip on the Power Tip Crystal rod in a trademark sense" but only in its "descriptive sense." *Id.* at 1396. The district court concluded:

> There is no indication that Silstar's attempt to utilize the clear tip is unfair or in bad faith.
>
> * * * *
>
> In this case, there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and the opaque base represent the

> natural colors of the graphite and the fiberglass resin which compose the rod.

Id. at 1396, 1398. The court summarized that Silstar sought "in good faith and not as a means of source-identification, to use a functional feature of a product" which Shakespeare had registered as a mark. *Shakespeare III*, 906 F.Supp. at 1016.

We cannot conclude that any of these factual findings of the district court are clearly erroneous.

Accordingly, the judgment of the district court is

AFFIRMED.

WIDENER, Circuit Judge, dissenting:

I respectfully dissent.

As did the district court before it, the majority errs in failing to apply this circuit's presumption of confusion to Silstar's deliberate copying of the clear tip and opaque base on Shakespeare's "Ugly Stik" fishing rods. Shakespeare maintains this color configuration as a registered trademark. Both the majority and the district court recognize that "Silstar had knowledge of, and essentially copied, Shakespeare's trademark." Op. at 242; *Shakespeare Co. v. Silstar Corp. of America, Inc.*, 906 F.Supp. 997, 1010 (D.S.C.1995). With that acknowledgement, the majority should then proceed to apply the mandate of *Osem Food Industries v. Sherwood Foods, Inc.*, 917 F.2d 161 (4th Cir.1990):

> When a newcomer to the market copies a competitor's trade dress, its intent *must be* to benefit from the goodwill of the competitor's customers by getting them to believe that the new product is either the same, or originates from the same source as the product whose trade dress was copied. Logic requires, no less than the presumption of secondary meaning

> from copying, that from such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion.

917 F.2d at 165 (emphasis added). It is patent that the majority simply declines to read the phrase "must be" in the above quotation from *Osem Food*. And it can point to no precedent in this circuit requiring a showing of something more than intentional copying before the presumption arises.* It is thus my opinion that our precedent entitles Shakespeare to a presumption of likelihood of confusion.

Had the district court properly applied this presumption, its findings of fact may well have been altered. We cannot speculate as to what those findings would have been had it employed the correct legal standard. Thus, the case should be remanded for such an examination.

With regard to Silstar's fair-use defense, I do not believe such a defense is viable if a likelihood of confusion is established. The majority would allow a fair-use defense even when there is a likelihood of confusion, and states that it "defies logic" to hold otherwise. Op. at 243. I disagree. A leading commentator has explained the logical relationship between fair use and likelihood of confusion as follows: "The better view is that it is inconsistent to find both likely confusion and a fair use. Rather, 'fair use' should be viewed as merely one type of use which is not likely to cause confusion and hence is a 'defense' only in that sense." 1 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 11:47 (4th ed. 1996).

*** The majority refers to several cases allowing a presumption of confusion when there has been proof of intent to exploit the good will created by an already registered trademark. Op. at 240-41. These cases, however, do not directly address the effect of intentional copying and, at any rate, do not hold that intent to exploit is the only means of establishing a likelihood of confusion.**

The majority's holding would place this circuit in the minority of courts that permit a fair-use defense even if a likelihood of confusion exists. See 1 McCarthy, *supra*, § 11:47 n. 2 (citing cases allowing fair-use defense even when likely confusion shown). I do not believe such a departure is warranted, or even permissible under circuit precedent.

In *Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836 (4th Cir.1990), we affirmed a district court which, after holding that a likelihood of confusion existed, held that "[defendant] cannot now rely on the defense of 'fair use' to justify its use of [plaintiff's] triliteral product designators." *Dayton Progress Corp. v. Lane Punch Corp.*, 12 U.S.P.Q.2d 1695, 1708 (W.D.N.C.1989). Although the majority states that the district court's finding of bad faith, rather than its finding of likelihood of confusion, precluded the fair-use defense in *Dayton Progress*, that statement by the majority is hardly accurate because the *Dayton Progress* district court's finding of bad faith was based on the defendant's exact copying and identical use of the plaintiff's product. 12 U.S.P.Q.2d at 1708. On appeal, we concluded that the district court's finding of bad faith was not clearly erroneous, and hence we accepted the district court's factual basis for that determination. *Dayton Progress*, 917 F.2d at 840. Read in conjunction with the district court's decision, as it must be, our *Dayton Progress* opinion supports the position that it is inconsistent to find both a likelihood of confusion and a legitimate fair-use defense when intentional copying has occurred.

Thus, the majority opinion adopts the minority view of the authorities, that a fair-use defense is available even in the face of intentional copying, and declines to follow the circuit precedent of *Dayton Progress*.

Finally, I should add the penultimate rationale in the majority opinion, Op. at 243, is:

> The [district] court summarized that Silstar sought "in good faith and not as a means of source-identifi-

> cation, to use a functional feature of a product" which Shakespeare had registered as a mark. *Shakespeare III*, 906 F.Supp. at 1016.

While the majority concludes that that factfinding is not clearly erroneous, in my opinion it is inherently incredible.

Accordingly, I would vacate the judgment of the district court and remand this case for the district court to make its factual findings after applying the presumption of likelihood of confusion. I would also require the district court to correctly apply the rule with respect to a fair-use defense, as I have discussed above.

APPENDIX B

UNITED STATES DISTRICT COURT
D. SOUTH CAROLINA
COLUMBIA DIVISION

Civ. A. No. 3:90-1695-19

SHAKESPEARE COMPANY,
Plaintiff,

v.

SILSTAR CORPORATION OF AMERICA, INC.,
Defendant.

Nov. 17, 1995

As Corrected Jan. 2, 1996

ORDER

SHEDD, District Judge.

This trademark infringement and unfair competition case, which involves Silstar Corporation of America, Inc.'s attempt to market a fishing rod with a color configuration (*i.e.*, a clear tip on an opaque fishing rod base) similar to Shakespeare Company's federally registered trademark for that color configuration, is before the Court on remand from the United States Court of Appeals for the Fourth Circuit. Previously, the Court issued findings of fact and conclusions of law, entered judgment in favor of Silstar on Shakespeare's claims, and ordered the cancellation of Shakespeare's trademark. *See* 802 F.Supp. 1386 (D.S.C. 1992) ("*Shakespeare I*"). On appeal, a divided panel of

the Fourth Circuit reversed the cancellation Order and remanded this case with instructions for further proceedings. *See* 9 F.3d 1091 (4th Cir.1993) (*"Shakespeare II"*). Thereafter, the Fourth Circuit denied Silstar's petition for rehearing, and the Supreme Court denied Silstar's petition for certiorari. *See* —— U.S. ——, 114 S.Ct. 2134, 128 L.Ed.2d 864 (1994).

The Court has now given further consideration to the parties' claims and defenses based on the record presented at trial, and is entering this Order to supplement the findings of fact and conclusions of law set forth in *Shakespeare I*.[1] For the reasons set forth below, the Court concludes that Silstar is entitled to prevail on Shakespeare's claims because Shakespeare has failed to establish that Silstar's use of the clear tip on its fishing rods will create a likelihood of confusion and, alternatively, because Silstar has established its fair-use defense. The Court further concludes that Silstar has failed to establish its unclean hands defense or its counterclaims.

I. THE SCOPE OF THE SHAKESPEARE II MANDATE

A preliminary matter which the Court must resolve is a determination of what issues remain viable after *Shakespeare II*. Following the remand of this case the Court ordered the parties to brief all of the issues not previously resolved by this Court and indicated that it would con-

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[1] The Court hereby incorporates all prior findings of fact and conclusions of law which are not inconsistent with *Shakespeare II*, and will restate those findings or conclusions only where necessary for purposes of this Order. Reference should be made to *Shakespeare I* and *Shakespeare II* for a more thorough summary of this litigation. *See generally* M. Pollack, *Unconstitutional Incontestability? The Intersection Of The Intellectual Property And Commerce Clauses Of The Constitution: Beyond A Critique Of Shakespeare Co. v. Silstar Corp.*, 18 Sea.U.L.Rev. 259 (1995); T.H. Davis, *Of "Ugly Stiks" And Uglier Case Law: A Comment On The Federal Registration Of Functional Designs After Shakespeare Co. v. Silstar Corp. of America*, 51 Wash. & Lee L.Rev. 1257 (1994).

sider the parties' "claims and defenses" on remand.[2] Shakespeare has taken exception to the Court's Order, arguing that the law of the case doctrine limits the issues which the Court may now consider. In this regard, Shakespeare asserts that "the scope of the Fourth Circuit's mandate is very narrow in that it directs the review of the very specific issue of likelihood of confusion," and the Court, by seeking briefs on the parties' "claims and defenses," has taken "an overly-broad [sic] interpretation of the Fourth Circuit's mandate. . . ." *Shakespeare Nov. 22, 1994, Brief* ("Shakespeare Brief"), at 1. Shakespeare further asserts:

> [A]ssuming that Shakespeare prevails on its likelihood of confusion claim . . . it would be contrary to the law of this case for this court to consider Silstar's other "defenses." Indeed, for this court to entertain Silstar's defenses for the purpose of invalidating Shakespeare's mark would be in direct conflict with the Fourth Circuit's holding that Shakespeare's mark is "valid as a matter of law." . . . Therefore, the only issue before this court is the likelihood of confusion between Shakespeare's "clear tip" configuration and Silstar's infringing "clear tip," and this court lacks jurisdiction to review Silstar's additional defenses.

Id. at 2. Resolution of this important threshold issue requires an analysis of both the law of the case doctrine and the prior proceedings in this case.

A. The Law Of The Case Doctrine (The Mandate Rule)

"The rule of the law of the case is a rule of practice, based upon sound policy that when an issue is once liti-

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[2] While the Court found Silstar's brief to be somewhat helpful, Shakespeare's brief not only did not contain the level of specificity sought by the Court, but Shakespeare also needlessly, and unpersuasively, attempted to argue against several findings of fact which the Court had already indicated would stand.

gated and decided, that should be the end of the matter." *United States v. United States Smelting Refin. & M. Co.*, 339 U.S. 186, 198, 70 S.Ct. 537, 544, 94 L.Ed. 750 (1950). "[L]aw of the case is an amorphous concept," *Arizona v. California*, 460 U.S. 605, 618, 103 S.Ct. 1382, 1391, 75 L.Ed.2d 318 (1983); which, being "a rule of discretion and not a jurisdictional requirement," *Smith v. Bounds*, 813 F.2d 1299, 1304 (4th Cir.1987), *cert. denied*, 488 U.S. 869, 109 S.Ct. 176, 102 L.Ed.2d 146 (1988); "is not absolute nor inflexible." *Capital Invs. Co. v. Executors of Estate of Morrison*, 584 F.2d 652, 654 (4th Cir.1978), *cert. denied*, 440 U.S. 981, 99 S.Ct. 1790, 60 L.Ed.2d 241 (1979). While "at least four distinctive sets of problems are caught up in law of the case terminology," 18 C.A. Wright, A.R. Miller, & E.H. Cooper, *Federal Practice & Procedure*, § 4478 at 788 (1981); the specific form of law of the case relied upon here by Shakespeare is the "mandate rule."

In federal court, the mandate ordinarily consists of a certified copy of the appellate judgment, a copy of the appellate opinion (if any), and any direction as to costs. *Fed.R.App. P.* 41(a). As the " 'official mode of communicating [the] judgment of [an] appellate court to [a] lower court, [thereby] directing action to be taken or disposition to be made of [the] cause by [the] trial court,' " *Amico v. New Castle County*, 654 F.Supp. 982, 991 n. 6 (D.Del.1987) (citation omitted); "[t]he mandate is a tool used to ensure that institutional values are maintained and that the allocation of authority and responsibility remains consistent with the design established under the law of our form of government." *Litman v. Massachusetts Mut. Life Ins. Co.*, 825 F.2d 1506, 1511 (11th Cir.1987), *cert. denied*, 484 U.S. 1006, 108 S.Ct. 700, 98 L.Ed.2d 652 (1988). Under the mandate rule, "a lower court generally is 'bound to carry the mandate of the upper court into execution and [may] not consider the questions which the mandate laid at rest.' " *United States v. Bell*, 5 F.3d 64, 66 (4th Cir.1993) (citations

omitted). However, "[w]hile a mandate is controlling as to matters within its compass, on the remand a lower court is free as to other issues," *Sprague v. Ticonic Nat'l Bk.*, 307 U.S. 161, 168, 59 S.Ct. 777, 781, 83 L.Ed. 1184 (1939); so long as consideration of those issues is consistent with the mandate. *Stamper v. Baskerville*, 724 F.2d 1106, 1108 (4th Cir. 1984).

In applying the mandate rule, "it is critical to determine what issues were actually decided [by the appellate court] in order to define what is the 'law' of the case." *Gertz v. Robert Welch, Inc.*, 680 F.2d 527, 533 (7th Cir.1982), *cert. denied*, 459 U.S. 1226, 103 S.Ct. 1233, 75 L.Ed.2d 467 (1983). Because the lower court is generally duty bound to "implement both the letter and spirit of the . . . mandate, taking into account [the] opinion and the circumstances it embraces," *Bell*, 5 F.3d at 66 (internal quotation marks deleted); "[d]etermining the scope of the mandate can present problems with interpretation." *Litman*, 825 F.2d at 1511. Where, as here, the appellate judgment is silent with respect to the manner in which the lower court should proceed on remand,[3] determination of the scope of the mandate "requires a careful reading of the [appellate] Court's opinion," *Gertz*, 680 F.2d at 533; which serves as "a statement of the reasons on which the judgment rests." *Rogers v. Hill*, 289 U.S. 582, 587, 53 S.Ct. 731, 734, 77 L.Ed. 1385 (1933). The opinion must be read as a whole, *Harris v. Sentry Title Co.*, 806 F.2d 1278, 1280 (5th Cir.), *cert. denied*, 484 U.S. 818, 108 S.Ct. 74, 98 L.Ed.2d 37 (1987); including any concurring and dissenting opinions, *Jones v. Lewis*, 957 F.2d 260, 262 (6th Cir.), *cert. denied*, 506 U.S. 841, 113 S.Ct. 125, 121 L.Ed.2d 80 (1992); and "in light of the facts of the case under discussion." *Armour & Co. v. Wantock*, 323 U.S. 126, 133, 65 S.Ct. 165, 168, 89 L.Ed.

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[3] The appellate judgment in this case states: "This case was heard by the Court on the record from the District Court and was argued by counsel. The Court reverses the judgment of the District Court."

118 (1944). "Different sections of an opinion should be read as consistent with each other," *Mashpee Tribe v. New Seabury Corp.*, 592 F.2d 575, 585 (1st Cir.), *cert. denied*, 444 U.S. 866, 100 S.Ct. 138, 62 L.Ed.2d 90 (1979); and "[p]arts thereof should not be read out of context." *Sterling Drug, Inc. v. Yarrow*, 408 F.2d 978, 991 (8th Cir.1969). Any "observations, commentary, or mere dicta touching upon issues not formally before the Court do not constitute binding determinations." *Gertz*, 680 F.2d at 533.

B. Summary Of Shakespeare I And Shakespeare II

With these principles in mind, the Court now turns to a brief summary of this litigation. This action arises as a result of Silstar's attempt to market a fishing rod known as the "Silstar Power Tip Crystal," which has a color configuration (*i.e.*, a clear tip on an opaque rod base) similar to that protected by a federally registered trademark owned by Shakespeare and used on Shakespeare's "Ugly Stik" line of rods. Shakespeare, which seeks injunctive relief, asserts three causes of action: (1) trademark infringement under § 32(1) of the Lanham Act, 15 U.S.C. § 1114(1); (2) unfair competition under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); and (3) common law trademark infringement and unfair competition under South Carolina law.

Silstar has filed an Amended Answer and Counterclaim ("Answer"), in which it asserts in defense that its use of the clear tip is a "fair use," *Answer*, at 2-3; and that Shakespeare is precluded from enforcing any rights under the trademark based on the defense of unclean hands. *Id.* at 3-4. Apart from these defenses Silstar also asserts claims for damages and cancellation of Shakespeare's trademark based on its contention that Shakespeare's trademark is invalid because the clear tip is both a functional feature and generic of the type of fishing rods at issue, *id.* at 5-6; and because the trademark simply consists of two contrasting colors. *Id.* at 7. Silstar further

contends that Shakespeare, by allowing third-party manufacturers to sell customized rods on its clear-tipped rod blanks, has not only misrepresented the source of some clear-tipped rods, *id.*; but has also destroyed any secondary meaning which the mark may have had. *Id.* at 6.

In *Shakespeare I* the Court concluded *inter alia* that Silstar's use of the clear tip on the Silstar Power Tip Crystal Rod is a fair use and, therefore, Silstar must prevail on Shakespeare's federal trademark infringement claim. 802 F.Supp. at 1395-97. The Court based this conclusion on its findings that Shakespeare's trademark is descriptive, Silstar's use of the clear tip is merely descriptive and not as a trademark, and Silstar is using the clear tip fairly and in good faith. *Id.* at 1396. The Court also concluded that the clear tip is a functional feature of the fishing rods at issue and, consequently, Shakespeare's trademark should be cancelled. *Id.* at 1397-99. The Court further concluded that Silstar's fair-use defense and the functionality of the trademark defeated Shakespeare's federal and state unfair competition claims, and its state trademark infringement claim. *Id.* at 1399. For these reasons the Court ordered that judgment be entered in favor of Silstar on each of Shakespeare's claims and that the Commissioner of the Patent and Trademark Office ("PTO") cancel Shakespeare's trademark. The Court specifically declined to address the other issues that Silstar raised because the fair use and functionality issues were dispositive both as to Shakespeare's claims and the cancellation issue. *See id.* at 1399 n. 11.

In *Shakespeare II* the Fourth Circuit, in a 2-1 panel decision, reversed, concluding that this Court lacked the authority to cancel Shakespeare's trademark on the ground of functionality because functionality is not a ground for cancellation under 15 U.S.C. § 1064. 9 F.3d at 1094-99.[4] Although the panel majority did not discuss the

[4] While the panel majority did not comment on the propriety of any of the *Shakespeare I* findings of fact, including those which

merits of any other substantive issues, it nevertheless summarized its decision as follows:

> In conclusion, we hold that the district court erred in canceling, pursuant to 15 U.S.C. § 1119, the trademark held by Shakespeare on the grounds that it is functional, because that is not an authorized ground for cancellation under § 1064. Since no other ground enumerated under § 1064 was alleged by Silstar, the mark is valid as a matter of law. We therefore reverse the district court and remand for further consideration of Shakespeare's statutory and common law infringement and unfair competition claims. We further instruct the district court that any inquiry into an alleged "fair use" must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip.

9 F.3d at 1099.

There are two aspects of the panel majority's mandate over which there seems to be no dispute. First, the panel majority has laid to rest Silstar's attempt to cancel Shakespeare's trademark on the grounds of functionality, and that matter—*i.e.*, cancellation based on grounds of functionality—clearly is no longer before this Court. Second, the panel majority has expressly directed this Court to consider the issue of likelihood of confusion when determining whether Silstar has established its fair-use defense.[5]

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supported the determination of functionality and fair use, Judge Niemeyer stated in his dissenting opinion that the *Shakespeare I* findings of fact "are amply supported by the evidence in the record," *id.* at 1100; that the panel majority appeared to "embrace" this Court's conclusion as to functionality, *id.* at 1106; and that "[i]t is uncontrovertible that [the clear tip] is nothing more than a manifestation of the product's functional design, as found by the district court." *Id.* at 1105.

[5] In *Shakespeare I*, the Court did not determine whether Shakespeare had established likelihood of confusion, concluding instead

While there is no dispute as to those aspects of the mandate, Shakespeare asserts that the mandate is much broader.

Relying on the panel majority's statement that Shakesepare's trademark is "valid as a matter of law" and its statement remanding this case for "further consideration of Shakespeare's statutory and common law infringement and unfair competition claims," Shakespeare argues that "the only issue before this court is the likelihood of confusion between Shakespeare's 'clear tip' configuration and Silstar's infringing 'clear tip,' and this court lacks jurisdiction to review Silstar's additional defenses." *Shakespeare Brief*, at 2. Stated differently, Shakespeare contends that the mandate rule forecloses this Court from considering Silstar's unclean hands defense and all of Silstar's counterclaims. While Shakespeare's position is arguably supportable by a literal, and isolated, reading of the language of the *Shakespeare II* Opinion in which the panel majority stated its conclusions, *see* 9 F.3d at 1099; it is clear that Shakespeare's position cannot be sustained when the *Shakespeare II* Opinion is read in its entirety and in context with the issues presented in this litigation.

C. The Mandate Rule Does Not Preclude The Court From Considering Silstar's Unclean Hands Defense And Other Counterclaims

As the Court noted both in *Shakespeare I*, *see* 802 F.Supp. at 1389; and again above, Silstar has asserted multiple defenses and counterclaims in this action. In doing so, Silstar not only seeks to defend against Shakespeare's claims, but it also seeks to have Shakespeare's trademark cancelled. As noted above, because of the Court's conclusions in *Shakespeare I* concerning the func-

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that "[t]he fair use defense is applicable even where a plaintiff can establish a likelihood of confusion since '[t]o hold otherwise would effectively viscerate the fair-use defense.'" 802 F.Supp. at 1397 n. 7 (citation omitted).

tionality and fair-use issues, the Court expressly declined to rule on Silstar's unclean hands defense or any counterclaims other than the functionality counterclaim.[6] In *Shakespeare II*, both the panel majority and the dissent focused their analyses exclusively on one legal issue: whether Shakepeare's trademark may now be invalidated on grounds of functionality. Apart from the panel majority's instruction that this Court must consider the likelihood of confusion in the fair-use inquiry, neither the panel majority nor the dissent addressed in a substantive fashion the merits of Silstar's unclean hands defense or other counterclaims. Therefore, a fair reading of *Shakesepare II*, in proper context and in its entirety, indicates that the scope of the mandate is not as broad as Shakespeare argues.

The Court's decision is supported by *Bryant v. Partenreederei-Ernest Russ*, 352 F.2d 614 (4th Cir.1965). In *Bryant*, the district court originally entered an order exonerating the defendant of liability. On appeal, the

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[6] The Fourth Circuit has expressly disapproved of the use of alternative holdings. *See Karsten v. Kaiser Found. Health Plan of Mid-Atl. States, Inc.*, 36 F.3d 8, 11 (4th Cir.1994). An unintentional, but natural, result of this Court's decision not to rule on any other issues was to make them generally inappropriate for initial consideration at the appellate level. *See, e.g., United States v. Carlo Bianchi & Co.*, 373 U.S. 709, 714-15, 83 S.Ct. 1409, 1413, 10 L.Ed.2d 652 (1963) ("the reviewing function is one ordinarily limited to consideration of the decision of the . . . court below and of the evidence on which it is based"); *Hettleman v. Bergland*, 642 F.2d 63, 8 (4th Cir. 1981) ("The court of appeals . . . is in no position to act on issues that the district court has expressly left undecided"); *United States v. Barge Shamrock*, 635 F.2d 1108, 1111 (4th Cir.1980), *cert. denied*, 454 U.S. 830, 102 S.Ct. 125, 70 L.Ed.2d 107 (1981) ("Ordinarily . . . we do not pass on questions that were not . . . considered by the district court"); *see also Lewis v. Bloomsburg Mills, Inc.*, 773 F.2d 561, 577 (4th Cir.1985) (noting the "heightened responsibility on the part of the courts of appeals to insist, even at the risk of delay, on having the factfinding process carried out properly at the level intended rather than to assume, even indirectly, a factfinding role").

Fourth Circuit reversed and remanded the case to the district court " 'with directions to enter judgment for the plaintiff . . . in an amount to be determined by the said district court.' " *Id.* at 615 (citation omitted). On remand, the district court found, based on the evidence already in the record, that the plaintiff's damages were $24,000, but because the plaintiff was 50% negligent, the judgment for the plaintiff would be limited to $12,000. The plaintiff then appealed, contending *inter alia* that "the specific remand by [the Fourth Circuit] on the first appeal precluded the lower court from considering the issue of contributory negligence. . . ." *Id.* The Fourth Circuit disagreed:

> When this court remanded the case for the express purpose of determining damages at that stage of the proceedings the question of Bryant's contribution to his injuries by his own negligence, although raised, had not been resolved. The District Court in its earlier order had specifically refrained from ruling on the damages issue believing such a ruling unnecessary. . . . This court, as is clear from its opinion in 330 F.2d [185] at 185, did not consider or discuss this issue. Under these circumstances we think the issue of contributory negligence was properly considered by the District Court in determining and awarding damages.

352 F.2d at 615. *See also Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1404-05 (9th Cir.), *cert. denied*, —— U.S. ——, 114 S.Ct. 64, 126 L.Ed.2d 34 (1993) (remand with instructions for district court "to order an accounting and to award damages and other relief as appropriate" did not preclude district court from determining that an accounting was inappropriate under the circumstances); *Publishers Resource, Inc. v. Walker-Davis Pubs., Inc.*, 762 F.2d 557, 559 (7th Cir.1985) (remand "for a new trial on the issue of damages" did not preclude district court from deciding damages issue

on summary judgment motion); *United States v. Curtis*, 683 F.2d 769, 771-72 (3d Cir.), *cert. denied*, 459 U.S. 1018, 103 S.Ct. 379, 74 L.Ed.2d 512 (1982) (remand "for a new trial" did not preclude district court from dismissing case based on double jeopardy grounds).[7]

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[7] Under Shakespeare's reading of the mandate, Silstar, by virtue of two conclusory sentences in the *Shakespeare II* Opinion, would now be deprived of the opportunity to have *any court* consider and weigh the evidence presented at trial and determine whether the unclean hands defense or any counterclaims have merit. Because the right to due process entails the right "to fully and fairly litigate each issue," *duPont v. Southern Nat'l Bank of Houston, Tex.*, 771 F.2d 874, 880 (5th Cir.1985), *cert. denied*, 475 U.S. 1085, 106 S.Ct. 1467, 89 L.Ed.2d 723 (1986); including every available defense, *Lindsey v. Normet*, 405 U.S. 56, 66, 92 S.Ct. 862, 870, 31 L.Ed.2d 36 (1972); and requires that "[f]indings based on the evidence must embrace the basic facts which are needed to sustain the order," *Morgan v. United States*, 298 U.S. 468, 480, 56 S.Ct. 906, 911, 80 L.Ed. 1288 (1936); foreclosing Silstar from judicial consideration of its unclean hands defense and other counterclaims at this stage of the proceedings without allowing it to have a determination on them, would likely violate Silstar's right to due process.

To the extent that Shakespeare draws support for its position from the panel majority's statement that its trademark is "valid as a matter of law," the Court notes that Silstar's unclean hands defense, if established, would not invalidate Shakespeare's trademark since it is an equitable defense which, like the fair-use defense, arises under 15 U.S.C. § 1115(b), and therefore is "not [a] substantive rule[] of law which go[es] to the validity . . . of an incontestable mark." *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 199 n. 6, 105 S.Ct. 658, 664 n. 6, 83 L.Ed.2d 582 (1985). Therefore, consideration of Silstar's unclean hands defense would not conflict with the holding that Shakespeare's trademark is "valid as a matter of law." Moreover, although the panel majority stated that Shakespeare's trademark "is valid as a matter of law," the Court notes, with respect, that this statement is based on an erroneous premise. When read in context, the panel majority stated in pertinent part that this Court erred in canceling Shakespeare's trademark on the grounds that it is functional because functionality is not an authorized ground for cancellation under 15 U.S.C. § 1064, and "[s]*ince no other ground enumerated under*

D. Summary Of The Scope Of The Mandate

In summary with respect to the scope of the mandate, the Court concludes: (1) the issue of functionality as a ground for cancellation of Shakespeare's trademark is no longer before the Court;[8] (2) the Court must consider whether Shakespeare has established a likelihood of confusion among consumers in the analysis of Silstar's fair-use defense; (3) the Court is free to consider Silstar's unclean hands defense and all counterclaims other than the functionality counterclaim; and (4) Shakespeare's trademark is, at this juncture, "valid as a matter of law" only insofar as it has been challenged on grounds of functionality. The Court now turns to the merits of this action.[9]

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§ *1064 was alleged by Silstar,* the mark is valid as a matter of law." 9 F.3d at 1099 (emphasis added). Contrary to the highlighted portion of the *Shakespeare II* Opinion, Silstar in fact alleged genericness and source misrepresentation as grounds for cancellation, *see Answer,* at 6-7; a fact which the panel majority partially recognized, *see* 9 F.3d at 1093; and both of these are enumerated grounds for trademark cancellation at any time under § 1064(3). *See Shakespeare II,* 9 F.3d at 1095 n. 4.

[8] As Judge Niemeyer noted in his *Shakespeare II* dissent, the panel majority appears to "embrace" the conclusion that the trademark is functional, "concluding only that functionality is not a statutory ground for *cancellation.*" 9 F.3d at 1106 (emphasis in original). While the Court respects and adheres to the determination that the trademark may not be cancelled because of functionality, the Court does not believe that such a determination renders functionality irrelevant, especially in light of the issues in this case. As will be shown below, functionality is directly relevant to several issues which are wholly unrelated to whether Shakespeare's trademark should be cancelled and, therefore, it must now be considered. *See Fed.R.Evid.* 402 ("All relevant evidence is admissible"); *Morton-Norwich Prods., Inc. v. S.C. Johnson & Son, Inc.,* 531 F.2d 561, 562 (Ct.Cust. & Pat.App.1976) ("All relevant evidence must be considered in determining likelihood of confusion"); *American Hosp. Supp. Corp. v. Fisher Scient. Co.,* 713 F.Supp. 1108, 1110 (N.D.Ill.1989) (noting relevance of functionality in that case as to trademark issues other than validity).

[9] "The mandate rule . . . is not without exception when a lower court is faced with extraordinary circumstances," and, therefore,

II. LIKELIHOOD OF CONFUSION AND THE FAIR-USE DEFENSE

"In order to prevail under §§ 32(1) and 43(a) of the Lanham Act for trademark infringement and unfair competition, respectively, a complainant must demonstrate that it has a valid, protectible trademark and that the defendant's use of a colorable imitation of the trademark is likely to cause confusion among consumers." *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Va., Inc.*, 43 F.3d 922, 930 (4th Cir.1995); *see also Shakespeare I*, 802 F.Supp. at 1394. While it is clear from the foregoing that there are many issues which remain unresolved—including the validity *vel non* of Shakespeare's trademark (except as to functionality), *see supra* note 7—the Court finds it appropriate to move directly to a determination of whether Shakespeare has established a likelihood of confusion [10] and, if so, whether Silstar may prevail on its fair-use defense. Resolution of these issues at this juncture is appropriate because of (1) the Court's prior findings and conclusion with respect to the fair-use defense and (2) the panel majority's express instruction that likelihood of confusion must be considered with the fair-use defense.

"[e]ven though the mandate of an appellate court may 'not contemplate resurrecting an issue on remand, the trial court may still possess some limited discretion to reopen the issue in very special situations,'" one of which is when the trial court finds that a "blatant error" is present in the prior decision and that this error will, if not corrected, result in a "serious injustice." *Bell*, 5 F.3d at 67 (citations omitted). To the extent that the Court has incorrectly interpreted the mandate here, this case would appear to present an "extraordinary circumstance" which would justify departure from the mandate.

[10] Although Shakespeare's trademark has become incontestable under 15 U.S.C. § 1065; incontestability affects only the validity of a trademark and does not establish the likelihood of confusion necessary to warrant protection from infringement. *Lone Star Steakhouse*, 43 F.3d at 935.

A. Likelihood Of Confusion

1. The Fourth Circuit's Standard For Determining Likelihood Of Confusion

Under the Lanham Act and trademark law generally, the owner of a mark has "the right to preclude a use by a junior owner of a mark that causes or is likely to cause confusion, cause mistake, or deceive an appreciable number of typical consumers into believing that some sponsorship, association, affilation, connection, or endorsement exists between the owner of the senior mark and the owner of the junior mark." *Quality Inns Int'l, Inc. v. McDonald's Corp.*, 695 F.Supp. 198, 209 (D.Md.1988). As the term "likelihood of confusion" suggests, while it is not necessary for a trademark owner to prove that the defendant's use of a colorable imitation of its trademark has or will create actual confusion, it is not sufficient for the trademark owner to show a mere possibility of confusion, *AMP, Inc. v. Foy*, 540 F.2d 1181, 1186 (4th Cir.1976); or mere resemblance of the marks. *Communications Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1252 (4th Cir.), *cert. denied*, 400 U.S. 942, 91 S.Ct. 240, 27 L.Ed.2d 245 (1970). Instead, the trademark owner must show a probability of confusion. *Lacoste Alligator, S.A. v. Bluestein's Men's Wear, Inc.*, 569 F.Supp. 491, 497 (D.S.C. 1983). Moreover, as noted above, this showing must be made with respect to an *appreciable* number of typical consumers, *Quality Inns, Int'l*, 695 F.Supp. at 209; who exercise "due care in the marketplace." *Dwight S. Williams Co. v. Lykens Hosiery Mills, Inc.*, 233 F.2d 398, 402 (4th Cir.), *cert. denied*, 352 U.S. 840, 77 S.Ct. 61, 1 L.Ed.2d 56 (1956). "[O]ccasional cases of confusion or thoughtless errors by very inattentive purchasers are of little significance." *Pennzoil Co. v. Crown Central Petrol. Corp.*, 50 F.Supp. 891, 900 (D.Md.1943), *aff'd and opinion adopted*, 140 F.2d 387 (4th Cir.), *cert. denied*, 322 U.S. 750, 64 S.Ct. 1261, 88 L.Ed. 1581 (1944).

Because likelihood of confusion "depends on 'varying human reactions to situations incapable of exact appraisement,' . . . [it] is an 'inherently factual' issue that depends on the facts and circumstances in each case." *Lone Star Steakhouse*, 43 F.3d at 933 (citations omitted). In determining likelihood of confusion, "[a] side-by-side analysis of the marks is not the proper test." *Holiday Inns, Inc. v. Holiday Inn*, 364 F.Supp. 775, 782-83 (D.S.C.1973), *aff'd*, 182 U.S.P.Q. 129, 498 F.2d 1397 (4th Cir.1974). Instead, the analysis must focus on whether "the use [of the mark] in its entirety creates a likelihood of confusion," and courts making that determination "must examine the allegedly infringing use in the context in which it is seen by the ordinary consumer; . . . look[ing] not only at the portion of the [product] that duplicates the [trademark], but at the [product] as a whole as sold in the marketplace." *Anheuser-Busch, Inc. v. L & L Wings, Inc.*, 962 F.2d 316, 319 (4th Cir.), *cert. denied*, 506 U.S. 872, 113 S.Ct. 206, 121 L.Ed.2d 147 (1992).

The Fourth Circuit has observed that " 'every product has its own separate threshold for confusion of origin.' " *Perini Corp. v. Perini Constr., Inc.*, 915 F.2d 121, 127 (4th Cir.1990) (citation omitted). In this Circuit, seven factors taken from the Opinion in *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1527 (4th Cir.1984), are commonly set forth as "generally" comprising the test of whether likelihood of confusion has been established. These factors—the *"Pizzeria Uno* factors"—are:

(1) the strength or distinctiveness of the mark;

(2) the similarity of the two marks;

(3) the similarity of the goods and services that the marks identify;

(4) the similarity of the facilities that the two parties use in their businesses;

(5) the similarity of the advertising the two parties use;

(6) the defendant's intent; and

(7) actual confusion.

The Fourth Circuit listed these factors as comprising the test for likelihood of confusion most recently in *Lone Star Steakhouse*. *See* 43 F.3d at 933. While the *Pizzeria Uno* factors are commonly utilized in this Circuit, they

> are not meant to be a 'rigid formula' for infringement. Rather, the *Pizzeria Uno* factors are only a guide—a catalog of various considerations that may be relevant in determining the ultimate statutory question of likelihood of confusion. As this circuit recognized in *Pizzeria Uno,* not all of the factors are of equal importance, nor are they always relevant in any given case.

Anheuser-Busch, Inc., 962 F.2d at 320 (citations omitted). Moreover, the *Pizzeria Uno* factors are not exhaustive or exclusive, *Quality Inns Int'l,* 695 F.Supp. at 217; and they are not always relied upon by the Fourth Circuit itself.

For example, in *Perini Corp.*, a panel of the Fourth Circuit listed the following factors, some of which coincide with the *Pizzeria Uno* factors, as comprising the test for likelihood of confusion:

(1) the strength of the plaintiff's mark;

(2) the degree of similarity between the marks;

(3) the proximity of the products;

(4) the likelihood that the prior owner will bridge the gap;

(5) actual confusion;

(6) the defendant's intent in adopting the mark;

(7) the quality of the defendant's product; and

(8) the sophistication of the buyers.

915 F.2d at 127.[11] In other cases, the Fourth Circuit has also considered factors other than the *Pizzeria Uno* factors in determining likelihood of confusion. *See, e.g., Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836, 839-40 (4th Cir.1990) (discussing sophistication of buyers); *Seidelmann Yachts, Inc. v. Pace Yacht Corp.*, 13 U.S.P.Q.2d 2025, 2028, 898 F.2d 147 (4th Cir.1990) (listing the "high cost of the product and the sophistication of the purchaser" as being "just a few of the elements" to be considered along with the *Pizzeria Uno* factors); *Communications Satellite Corp.*, 429 F.2d at 1252 (discussing sophistication of purchasers); *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882, 885 (4th Cir.1963) (noting that district court correctly considered *inter alia* "the type of persons who purchase the goods (whether sophisticated and knowledgeable)").[12]

It therefore is proper for the Court, in assessing likelihood of confusion, to consider not only the *Pizzeria Uno*

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[11] While the *Perini Corp.* panel cited *Pizzeria Uno*, it nevertheless listed these factors, which it derived from *Polaroid Corp. v. Polaroid Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961). *See Perini Corp.*, 915 F.2d at 127.

[12] The Court recognizes that the United States Patent Quarterly (U.S.P.Q.) is not an official reporter and that opinions published solely therein are those which are not officially published. While citation to unpublished opinions, which are not binding precedent, is generally disfavored, such opinions may be cited for precedential value if no published opinion would serve as well, *Internal Operating Procedure* 36.6 (4th Cir.); or otherwise for the "weight they generate by the persuasiveness of their reasoning." *Hupman v. Cook*, 640 F.2d 497, 501 & n. 7 (4th Cir.1981). The Court notes that both parties have cited to cases published only in the U.S.P.Q., and the Fourth Circuit has also occasionally cited to opinions published solely therein. *See, e.g., Lone Star Steakhouse*, 43 F.3d at 930 n. 10, 931, 937.

factors, but also any additional factors which are relevant, including those listed in *Perini Corp.* and the other cases noted above. *See Quality Inns Int'l,* 695 F.Supp. at 217 (*Pizzeria Uno* and *Perini Corp.* lists "focus logically an inquiry that must be tailored to the factual circumstances of each case").[13] In doing so, the Court is mindful that while, as noted, all of the factors may not be relevant or of equal importance, "all relevant factors should be considered in an over-all perspective," *Durox Co.,* 320 F.2d at 885; and ordinarily no one factor is *per se* dispositive. *Perini Corp.,* 915 F.2d at 127. However, a single factor may, in an appropriate case, be dispositive. *Anheuser-Busch, Inc.,* 962 F.2d at 320; *see also Kellogg Co. v. Pack'em Enters.,* 951 F.2d 330, 333 (Fed.Cir.1991).

2. *Shakespeare Is Not Entitled To A Presumption Of Likelihood Of Confusion*

Before considering the pertinent likelihood of confusion factors, the Court must determine whether Shakespeare is entitled to a rebuttable presumption of likelihood of confusion based on Silstar's alleged intentional copying of Shakespeare's trademark. Shakespeare argues, almost as an afterthought, that Silstar intentionally copied its trademark and, therefore, such a presumption arises in this case. *See Shakespeare Brief,* at 9-10.

On this point, the Fourth Circuit has stated:

> When a newcomer to the market copies a competitor's trade dress, its intent must be to benefit from the goodwill of the competitor's customers by getting them to believe that the new product is either the

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[13] Because Shakespeare's trademark represents the natural result of the manufacturing process and a functional attribute of the type of fishing rods at issue, the Court is faced with a situation which differs from the typical trademark case (*e.g.,* where the marks involve brand names). The Court has attempted, as set forth below, to tailor the inquiry accordingly.

> same, or originates from the same source as the product whose trade dress was copied. Logic requires . . . that from such intentional copying arises a presumption that the newcomer is successful and that there is a likelihood of confusion. It would be inconsistent not to require one who tries to deceive customers to prove that they have not been deceived.

Osem Food Indus. v. Sherwood Foods, Inc., 917 F.2d 161, 165 (4th Cir.1990).[14] The *Osem Food* court instructed that "[t]he proper course of action in a case . . . where the newcomer copied its competitor's trade dress is to apply the presumption and consider . . . whether the newcomer presented sufficient evidence to rebut the presumption." *Id.* at 165.

While *Osem Food* indicates that a presumption of likelihood of confusion arises where the defendant has intentionally copied the plaintiff's trademark, the Court concludes that the presumption is inapplicable in this case. As the Fourth Circuit has noted in a related context, "the relevant intent in trademark cases is not merely an intent to profit, . . . but an 'intent to confuse the buying public.'" *Anheuser-Busch, Inc.*, 962 F.2d at 321 (citation omitted). A fair reading of the law in this Circuit indicates that a presumption of likelihood of confusion

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[14] *See also Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir.1987) ("Where . . . one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of likelihood of confusion"); *AMP, Inc.*, 540 F.2d at 1186 ("intent to exploit the good will created by an already registered trademark creates a presumption of a likelihood to confuse"); *cf. Allen v. Standard Crank. & Hydraul. Co.*, 323 F.2d 29, 36 (4th Cir.1963) ("When the defendant is fully informed of all the facts at the time he adopts the mark . . . and the question before the Court is the likelihood of confusion of the goods of the competitors in the minds of their purchasers, an apparent motive of the junior party to create confusion and to give to his goods a superficial appearance of being those of the senior party is properly considered in disposing of the question").

arises only from "intent to exploit the good will created by an already registered trademark," and mere "knowledge of prior use does not establish intent. . . ." *AMP, Inc.*, 540 F.2d at 1186.[15] This also appears to be the general rule:

> A likehood of confusion should not be inferred from proof that the actor intentionally copied the other's designation if the actor acted in good faith under circumstances that do not otherwise indicate an intent to cause confusion or to deceive.

Restatement (Third) of Unfair Competition ("Restatement"), § 22(2) (1995).[16]

Although it is clear that Silstar had knowledge of, and essentially copied, Shakespeare's trademark when it began its attempt to market the Power Tip Crystal Rod, it is equally clear from the evidence presented at trial that Silstar's intent was not, and is not, to capitalize on,

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[15] The opinions in *Polo Fashions* and *Osem Food* also could be reasonably read to require intent (*i.e.*, motive) by the defendant to capitalize on the plaintiff's trademark or to deceive customers before a presumption of likelihood of confusion arises. The Court notes that this is the reading that district courts in this Circuit appear to be giving to *Osem Food*. *See, e.g., Devan Designs, Inc. v. Palliser Furniture Corp.*, 25 U.S.P.Q.2d 1991, 2001, 1992 WL 511694 (M.D.N.C.1992), *aff'd*, 27 U.S.P.Q.2d 1399, 998 F.2d 1008 (4th Cir.1993) ("this court believes that the Fourth Circuit would require an intent to confuse" in order to give rise to the presumption); *cf. Johnson v. Automotive Ventures, Inc.*, 890 F.Supp. 507, 516 n. 14 (W.D.Va.1995) ("the rule [that a presumption of secondary meaning arises from intentional copying] must presuppose that a defendant's motivation for the intentional copying is to gain an unfair competitive advantage by appropriating the good will associated with the mark").

[16] In its two most recent trademark/unfair competition cases, the Supreme Court has cited favorably to the *Restatement*. *See Qualitex Co. v. Jacobson Prods. Co.*, —— U.S. ——, 115 S.Ct. 1300, 131 L.Ed.2d 248 (1995); *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992).

or otherwise exploit, Shakespeare's trademark. As the Court has previously found:

> Silstar desires to use the clear tip on the Power Tip Crystal rods in order that consumers can see and understand the qualities the rod possesses. Silstar does not seek to use the clear tip as a source of origin of the rods.
>
> * * * *
>
> It is evident that Silstar does not seek to use the clear tip on the Power Tip Crystal rod in a trademark sense, that is "to identify and distinguish" the Power Tip Crystal rod from those manufactured or sold by others or "to indicate the source" of the Power Tip Crystal. Instead, whatever attention is drawn to the clear tip on the Power Tip Crystal rod serves merely to inform a prospective purchaser of the components and attributes of the rod.
>
> * * * *
>
> Silstar seeks to use the clear tip only in its descriptive sense and the evidence establishes that the clear tip is without question the most effective means to market the rods in this descriptive sense. There is no indication that Silstar's attempt to utilize the clear tip is unfair or in bad faith.
>
> In this case, there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and the opaque base represent the natural color of the graphite and fiberglass resin which compose the rod.

Shakespeare I, 802 F.Supp. at 1393, 1396, 1398 (citations omitted).

The evidence thus establishes that in attempting to use the clear tip on its fishing rods, Silstar merely seeks to reproduce and utilize a functional attribute, which is un-

questionably a legitimate activity. *See Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 164, 109 S.Ct. 971, 984, 103 L.Ed.2d 118 (1989) (" '[r]eproduction of a functional attribute is legitimate competitive actvity' " (citation omitted)); *Inwood Labs, Inc. v. Ives Labs, Inc.*, 456 U.S. 844, 857 n. 20, 102 S.Ct. 2182, 2190 n. 20, 72 L.Ed.2d 606 (1982) ("By establishing . . . that uniform capsule colors served a functional purpose, the petitioners offered a legitimate reason for producing an imitative product"); *Devan Designs*, 25 U.S.P.Q.2d at 1400, 1992 WL 511694 ("Competition on functional . . . features is encouraged"). Accordingly, the Court will not apply the presumption. *See Restatement*, § 22 comment c ("if the actor reasonably believes that the other's designation is functional . . ., proof that the actor intentionally copied the other's designation does not justify an inference of confusion").[17]

3. *Shakespeare Has Not Established Likelihood Of Confusion*

Turning now to the question of whether Shakespeare has proven by the evidence presented at trial that Silstar's use of the clear tip on the Power Tip Crystal rod creates a likelihood of confusion, the Court concludes that the

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[17] "It is axiomatic that a presumption is not evidence and disappears in the face of evidence sufficient to rebut it." *Tenneco Chems., Inc. v. William T. Burnett & Co.*, 691 F.2d 658, 663 (4th Cir.1982). Normally, when the evidence presented by the plaintiff creates a presumption in its favor, it has both satisfied its burden of going forward and also shifted that burden to the defendant, who must then rebut the presumption to satisfy its burden. *Keeler Brass Co. v. Continental Brass Co.*, 862 F.2d 1063, 1066 (4th Cir.1988). If the defendant fails to meet its burden, the plaintiff may be able to prevail on the strength of the presumption. *Id.* If the defendant meets its burden of rebuttal, the factfinder then must consider all of the evidence on the issue, keeping in mind that the plaintiff has the ultimate burden of persuasion. *Id.* The Court finds that even if Shakespeare is entitled to this presumption, the presumption would be rebutted by the evidence discussed below.

most persuasive factors, under the circumstances present here, strongly weigh in favor of Silstar. For this reason, the Court finds that Shakespeare has failed to establish a likelihood of confusion.

As the Court has previously found, although there is a similarity between Shakespeare's trademark and the clear tip on Silstar's Power Tip Crystal rod, *see Shakespeare I*, 802 F.Supp. at 1392; a factor which at least superficially favors Shakespeare, there is a significant difference in appearance between the Ugly Stik and the Power Tip Crystal rods:

> Other than the similarity between the color configurations of the rod base and tip, the Power Tip Crystal aud Ugly Stik rods differ significantly in appearance. For example, Shakespeare uses silver colored line guides, a silver colored extreme tip portion, and red and yellow diamond wrap at the base of the rod above the handle. In contrast, Silstar uses gold colored line guides, a gold colored extreme tip portion, and no wrap at the base of the rod. Moreover, the handles differ significantly in shape (cylindrical v. tapered) and the reel sets differ in color (black vs. gold). Finally, Shakespeare places its Ugly Stik logo in prominent white letters on its rods, while Silstar's lower tip Crystal logo appears in gold letters with a red background.

Id. at 1392-93. Apart from the functional attributes which all fishing rods obviously share, Silstar has taken all reasonable measures to distinguish the Power Tip Crystal rod from the Ugly Stik rod.[18]

This is especially significant here because of the manner in which the parties' rods are sold to consumers. While the parties use similar facilities to market their rods (notably retail outlets), another factor which favors

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[18] As the Court has previously recognized, *see Shakespeare I*, 802 F.Supp. at 1398, it would be unreasonable to require Silstar not to use the clear tip under the circumstances presented.

Shakespeare, the rods are normally displayed in eye-level racks which readily allow the potential purchaser to see and appreciate the features of the rods, including the prominently displayed manufacturers' names. Moreover, the evidence presented at trial, primarily through cross-examination of Shakespeare's own witnesses (Tim Fraylick and Wayne Asbill), establishes that the ordinary fishing rod purchaser, indeed almost all fishing rod purchasers, removes the fishing rods from the racks and thoroughly inspects them prior to making a purchase.[19] Under these circumstances, there is very little probability that an appreciable number of consumers, exercising due care, would be confused by Silstar's use of the clear tip on the Power Tip Crystal rod. *See Perini Corp.*, 915 F.2d at 127 ("the sophistication and expertise of the usual purchasers can preclude any likelihood of confusion"); *Restatement*, § 21 comment h ("If the goods or services are normally purchased only after considerable attention and inspection, greater similarity between the designations may be permitted than when the goods or serivces are purchased casually or impulsively"); *see, e.g., L.A. Gear, Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 1134 (Fed.Cir.), *cert. denied*, —— U.S. ——, 114 S.Ct. 291, 126 L.Ed.2d 240 (1993) ("We conclude that the conspicuous and permanent placement of the trademarks of L.A. Gear as well as the copyist, an the sophistication of purchasers of fashion athletic shoes, clearly outweigh the similarities in the shoe design, insofar as consumer confusion as to source is avoided").[20]

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[19] Tim Fraylick is a former Shakespeare employee who testified that all fishing rod purchasers remove and inspect fishing rods during the purchasing decision, and that they all inspect what is written on the rods. Wayne Asbill, a K-Mart Division manager who has worked in K-Mart's sporting goods area for many years, testified similarly.

[20] The Court "is free to draw upon [its] own experience and observation to make an informed judgment as to the likelihood of confusion apt to be spawned by strongly analogous symbols." *Volkswagenwerk AG v. Hoffman*, 489 F.Supp. 678, 682 (D.S.C.1980);

In considering the other pertinent factors, there are, as the Court has already noted, several which favor Shakespeare.[21] For example, in addition to the above-noted similarity between the parties' marks and the fact that the rods are sold in close proximity in the market, both of

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see also Selchow & Righter Co. v. Decipher, Inc., 598 F.Supp. 1489, 1497 (E.D.Va.1984) ("[t]he Court may rely upon its own inspection of the products in determining whether there exists a likelihood of confusion"). The Court's inspection of the various rods presented at trial also leads to the finding that no likelihood of confusion will result from Silstar's use of the clear tip on its fishing rods.

[21] Several factors are not relevant. For example, the "bridging the gap" factor, which "examines whether the prior user may wish to enter the defendant's market in the future," *Paddington Corp. v. Attiki Imports. & Distribs., Inc.*, 996 F.2d 577, 586 (2d Cir.1993); is irrelevant because Shakespeare and Silstar compete in the same market with respect to the clear-tipped rods. *Id.; see also Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033, 1044 (2d Cir.1992) ("In the case of competing products, . . . the likelihood of bridging the gap . . . is not a relevant inquiry"). Moreover, because the Ugly Stik and Power Tip Crystal rods are of nearly identical quality, "a comparison of the quality of the products is not particularly helpful in determining the likelihood of confusion." *Id.* Finally, while the fact that Silstar has acted in good faith in its use of the clear tip avoids a presumption of likelihood of confusion, *see supra* Part II-A-1; it does not otherwise tend to prove or disprove likelihood of confusion.

While there is no evidence of any instances in which consumers have been actually confused between the fishing rods at issue, this is primarily due to the fact that there were only limited sales of the Silstar Power Tip Crystal Rod before Judge Hamilton, the judge originally assigned to this case, preliminarily enjoined Silstar from selling the rod. *See Comcet, Inc.*, 429 F.2d at 1251 ("quite naturally, proof of actual confusion is slight because the suit was instituted when Comcet was in its infancy"); *Quality Inns Int'l*, 695 F.Supp. at 216 ("When the junior mark has not been presented to the consuming public, . . . there is less opportunity to determine whether actual confusion exists"). It is of some significance, however, that when another rod manufacturer, Zebco, Inc., sold approximately 5,000 clear-tipped rods, there were, according to the testimony, apparently no reported instances of consumer confusion.

which are effectively negated here by the overall appearance of the rods and the manner in which they are purchased, the method in which the parties advertise their respective fishing rods also favors Shakespeare. Both parties conduct trade advertising and consumer advertising by using catalogues, trade journals, news releases, and trade shows, and both parties' advertising efforts are aimed at the same "middle of the road" level of the fishing market. However, the Court finds this factor to be relatively insignificant in the context of this case because Shakespeare does not appear to have placed a significant emphasis on advertising the clear tip portion of its rods as an element to be identified with Shakespeare *per se*.[22] In fact, the clear tip is not even depicted in many of Shakespeare's advertisements. Moreover, as set forth above, the ordinary consumer, in making a fishing rod purchase, can very clearly see and appreciate that the Ugly Stik and the Power Tip Crystal rods are manufactured by different entities.

The relative strength of Shakespeare's trademark is also a factor that somewhat favors Shakespeare. In considering this factor, the Court recognizes that marks are categorized into four classes in increasing order of strength or distinctiveness: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary, *Lone Star Steakhouse*, 43 F.3d at 933; and generally the stronger the mark, the greater amount of protection is afforded. *Qualitex Co.*, —— U.S. at ——, 115 S.Ct. at 1305.[23] The Court has previ-

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[22] As the Court has previously found: "Shakespeare has repeatedly advertised and promoted the fact that the clear fiberglass tip is unique, is the result of an exclusive patented process, and imparts strength, flexibility, and sensitivity to the rod which cannot be achieved through any other process." *Shakespeare I*, 802 F.Supp. at 1391.

[23] "The strength" of a mark "refers to a mark's tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source." *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 391 (2d Cir.1995) (citation

ously concluded that although Shakespeare's trademark is descriptive—*i.e.*, "the clear tip, in combination with the opaque rod base, signifies to consumers that the rod is composed of a graphite base with a solid fiberglass tip, both of which are features that are positive characteristics of fishing rods"—it has presumptively acquired secondary meaning because the PTO registered it pursuant to 15 U.S.C. § 1052(f). *See Shakespeare I*, 802 F.Supp. at 1396 & n. 5.[24] While this presumption of secondary meaning does not necessarily mean that Shakespeare's trademark has the strength of a suggestive mark, *Arrow Fastener Co.*, 59 F.3d at 393 n. 6; it does, if unrebutted, render the mark stronger and more worthy of protection than a merely descriptive mark, *Americana Trading, Inc. v. Russ Berrie & Co.*, 966 F.2d 1284, 1287 (9th Cir.1992); which is a weak mark that is not accorded trademark protection. *Pizzeria Uno*, 747 F.2d at 1527.

Based on the evidence presented at trial, the Court finds that Silstar has failed to rebut the presumption that Shakespeare's trademark, which is clearly descriptive, has

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omitted). The Court is not precluded from examining the strength of Shakespeare's trademark by virtue of the fact that it is incontestable. *Lone Star Steakhouse*, 43 F.3d at 934-35.

[24] When, as here, the PTO requires a party to register its mark under 1052(f), it "necessarily decides" whether the mark is descriptive rather than suggestive. *Lone Star Steakhouse*, 43 F.3d at 934. If a party is required to proceed under § 1052(f), it must provide evidence of the mark's distinctiveness prior to registration. *Lone Star Steakhouse*, 43 F.3d at 936 n. 15. The Fourth Circuit holds that the decision of the PTO in this regard is *prima facie* evidence of whether the mark is descriptive or suggestive. *Id.* at 934.

The Fourth Circuit also holds that intentional copying of a mark gives rise to a presumption of secondary meaning. *Osem Food*, 917 F.2d at 163. However, for the reasons discussed in Part II-A-1, the Court finds that Shakespeare is not entitled to the presumption on this basis. *See Johnson*, 890 F.Supp. at 516 n. 14.

acquired some secondary meaning.[25] This does not mean, however, that the Court finds that Shakespeare's trademark is either suggestive or otherwise particularly strong. Indeed, Shakespeare's attempt to prove the strength of its mark, when compared to the contrary evidence, is not persuasive. For example, although Shakespeare has devoted considerable resources and effort into advertising rods which bear its trademark, *see Shakespeare I*, 802 F.Supp. at 1393; as noted above, not all of the advertisements depict the trademark, and much of this advertisement has served to emphasize the positive (and functional) attributes of the clear tip rather than the fact that the clear tip indicates that the rods are manufactured by Shakespeare. Moreover, the testimony of the witnesses upon whom Shakespeare primarily relies to establish the strength of its trademark is very general on this point, particularly in light of the survey evidence presented by Silstar, which indicates that the clear tip does not have much source-identifying power among active fishermen.[26]

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[25] In light of this finding, the Court concludes that there is no merit to Silstar's counterclaims seeking cancellation based on grounds of genericness and loss of secondary meaning.

[26] "It is undisputed that appropriate survey evidence is meaningful to establish the likelihood [*vel non*] of confusion. . . ." *Quality Inns, Int'l*, 695 F.Supp. at 207. Out of a random nationwide sample of active fishermen, less than 3% associated, without prompting, the clear tip on a fishing rod with Shakespeare or the Ugly Stik. When the fishermen were prompted that the clear tip may have source-identifying significance, the total who associated the clear tip with either Shakespeare or the Ugly Stik rose only to approximately 8%. Of those fishermen who said that the clear tip has some source-identifying significance, only four respondents (1% of the sample) said that there would be any confusion if someone else made a clear-tipped rod. Although Shakespeare disputed the validity of this survey, perfection is not the standard, *see Quality Inns, Int'l*, 695 F.Supp. at 218; and with respect to any alleged flaws which may be associated with this survey, upon which there was a conflict among the parties' expert witnesses, the Court has considered the alleged flaws in assessing the weight to be given to the survey. *See AHP Subsid. Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 618

It could perhaps be argued that because slightly more of the above-noted factors favor Shakespeare, that fact alone establishes likelihood of confusion. However, the Fourth Circuit has recognized and held that all products have a separate threshold for confusion of origin, *Perini Corp.*, 915 F.2d at 127; and that the likelihood of confusion determination is an inherently factual inquiry that depends on the facts and circumstances of each case. *Lone Star Steakhouse*, 43 F.3d at 933. As a consequence, the relevant factors are not to be applied according to a rigid formula and they may not have equal importance in a given case. *Anheuser-Busch*, 962 F.2d at 320. Thus, in making the likelihood of confusion determination in this case, the Court "must examine [Silstar's use of the clear tip] in the context in which it is seen by the ordinary consumer, . . . look[ing] not only at the [clear tip], but at the [fishing rods] as a whole as sold in the marketplace," *Id.* at 319; and, after doing so, must determine whether the relevant factors compel a finding of likelihood of confusion among an appreciable number of consumers, *Quality Inns, Int'l*, 695 F.Supp. at 209; who exercise care in the marketplace. *Dwight S. Williams Co.*, 233 F.d at 402. Having reviewed the evidence in this light, the Court finds and concludes that Shakespeare has failed to establish a likelihood of confusion.[27] Because likelihood of confu-

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(7th Cir.1993) ("We believe that any shortcomings in the survey results go to the proper weight of the survey and should be evaluated by the trier of fact").

[27] Even if the Court has erred in its assessment of the strength of Shakespeare's trademark, the Court would still adhere to this conclusion based on the evidence presented in this case. *See Anheuser-Busch*, 962 F.2d at 320 (despite the fact that the plaintiff's trademarks were "unquestionably strong" and that most of the pertinent factors also favored the plaintiff, court of appeals accepted jury [*i.e.*, factfinder] determination that no likelihood of confusion had been established); *cf. Lone Star Steakhouse*, 43 F.3d at 936 (indicating that regardless of the strength of the plaintiff's trademark, other factors may be determinative).

sion is a necessary element of all of Shakespeare's claims, they fail as a matter of law.

B. The Fair-Use Defense

1. The Applicable Law

Even assuming *arguendo* that Shakespeare has established a likelihood of confusion, whether by use of the presumption or by the evidence presented, the Court nevertheless concludes that Silstar must prevail in this case because of its fair-use defense.[28] Extrapolating from the Fourth Circuit's statement in *Dayton Progress Corp.*, 917 F.2d at 840; that "[t]o establish a fair use defense . . ., Lane must prove that the designators are used 'fairly and in good faith' only to describe the punches and that the infringing mark is not used as a trademark," the Court concluded in *Shakespeare I* that Silstar established the elements of a fair-use defense because (1) the clear tip is a descriptive device; (2) Silstar's use of the clear tip is not as a trademark but is merely descriptive; and (3) Silstar is using the clear tip fairly and in good faith. 802 F.Supp. at 1395-96.[29] While the *Shakespeare II* panel

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[28] The Court stated in *Shakespeare I* that establishment of the fair-use defense not only gives a defendant the right to use a mark, but it also reduces the evidentiary status of the registration of an incontestable trademark to that of a mark which is not incontestable. 802 F.Supp. at 1397; *see also Park 'N Fly, Inc.*, 469 U.S. at 199 n. 6, 105 S.Ct. at 664 n. 6; *Restatement*, at § 28 Reporters' Note comment a. In rejecting the cancellation of Shakespeare's trademark on grounds of functionality, the panel majority apparently also rejected this interpretation of the fair-use defense.

[29] While, as noted, the Court stated in *Shakespeare I* that "there is *no indication* that Silstar's attempt to utilize the clear tip is unfair or in bad faith," 802 F.Supp. at 1396 (emphasis added); this statement should be clarified. Despite the inference of bad faith that Shakespeare urges the Court to draw from the evidence, the Court finds, based on the evidence presented, including the Court's credibility assessments, that Silstar is not attempting to use the clear tip in an unfair manner or otherwise acting in bad faith.

majority did not reject either the underlying findings of fact or conclusions of law on this issue,[30] it did, as noted, instruct this Court that "any inquiry into an alleged 'fair use' of the clear tip must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip." *Shakespeare II*, 9 F.3d at 1099.

In rejecting this Court's prior conclusion that likelihood of confusion is irrelevant where the fair-use defense has been established, the panel majority did not indicate to what extent, if any, the fair-use defense is applicable when likelihood of confusion has been established, and this appears to be a novel question in this Circuit.[31] While there is some authority which holds that there can be no fair use when any likelihood of confusion has been shown, *see, e.g., Cullman Ventures, Inc. v. Columbian Art Works, Inc.*, 717 F.Supp. 96, 134 (S.D.N.Y.1989); the Court concludes that the better view, as expressed in the *Restatement*, is to the contrary:

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[30] Although the Court is not privy to the matters addressed at oral argument before the Fourth Circuit, the Court notes that Shakespeare addressed the Court's fair-use analysis and determination at length in its appellate briefs.

[31] In *Schafer Co. v. Innco Mgt. Corp.*, 797 F.Supp. 477 (E.D.N.C. 1992), *aff'd*, 27 U.S.P.Q.2d 1239, 995 F.2d 1064 (4th Cir.1993); the Fourth Circuit affirmed a district court's entry of summary judgment in favor of the defendant on the plaintiff's trademark claim based on the defendant's proof of the fair-use defense. Notably, there is nothing in either the district court order or the appellate opinion which addresses whether the plaintiff had established a likelihood of confusion. Moreover, in the only other Fourth Circuit decision in which the fair-use defense is specifically discussed, *Dayton Progress Corp.*, the Fourth Circuit examined both issues, but did not discuss the relationship between them. *See* 917 F.2d at 839-40. Finally, in *Durox Co.* the Fourth Circuit recognized that "[t]here is authority that there may not be infringement even where likelihood of confusion is found," but the court did not decide the issue. *See* 320 F.2d at 885 n. 4.

> The fair use defense recognized in this Section can be applicable even if the trademark owner presents evidence sufficient to prove a likelihood of confusion. If the manner of use by the defendant is reasonable in light of the commercial justification for the use, the possibility or even certainty that some prospective purchasers will perceive the term as an indication of source despite the reasonableness of the defendant's use is not sufficient to deprive the defendant of the right to employ the term in its descriptive sense. Thus, a defendant who uses a descriptive term fairly and in good faith to describe its goods or services is not liable for infringement even if some residual confusion is likely.

Id. at § 28 comment b. *See William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 529, 44 S.Ct. 615, 616, 68 L.Ed. 1161 (1924) ("the use of a similar [mark] by another to truthfully describe his own product does not constitute a legal or moral wrong, even if its effect be to cause the public to mistake the origin or ownership of the product"). This view is not inconsistent with the panel majority's instruction because it does not, as this Court had previously concluded, render likelihood of confusion irrelevant upon a showing of fair use. Instead, under this view "the strength of the plaintiff's mark and the extent of likely or actual confusion are important factors in determining whether a use is fair." *Restatement*, at § 28 comment b.[32]

2. Assuming That Shakespeare Has Established Likelihood Of Confusion, Silstar Has Established The Fair-Use Defense

As noted, the Court has concluded that Shakespeare's trademark is not particularly strong and that Shakespeare

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[32] Although the Court indicated in its post-remand Order that a showing of likelihood of confusion would render the fair-use defense inapplicable, the Court has now reconsidered that statement and hereby rejects it.

has failed to establish a likelihood of confusion. However, even to the extent that the Court's conclusions in this regard could be deemed erroneous, the Court finds that whatever strength Shakespeare's trademark may have or any confusion which may arise from Silstar's use of the clear tip does not, under the evidence of this case, outweigh Silstar's right to use the clear tip, which is a functional attribute of these type of fishing rods, fairly and in good faith as a descriptive device. As the Court found in *Shakespeare I* and has reemphasized throughout this Order, Shakespeare's trademark represents a functional feature of graphite fishing rods which have a solid fiberglass tip, and Silstar merely seeks, in good faith, to use the clear tip on its rods only in a descriptive sense and not as a means of source-identification.

In his thorough *Shakespeare II* dissent, Judge Niemeyer addressed the important role that the doctrine of functionality plays in trademark law, *see Shakespeare II*, 9 F.3d at 1099-1106; and although the panel majority did not accept his ultimate conclusion that functionality rendered Shakespeare's trademark unenforceable, it did not reject his underlying analysis. *Cf. Venta, Inc. v. Frontier Oil & Refin. Co.*, 827 F.Supp. 1526, 1531 n. 7 (D.Colo. 1993) ("A majority opinion cannot be assumed to affirmatively hold the opposite of every argument or conclusion advanced by the dissent"). While there has not yet been appellate approval (or disapproval) of the Court's determination that Shakespeare's trademark represents a functional attribute, *but see Shakespeare II*, 9 F.3d at 1105 (Niemeyer, J. dissenting) ("It is uncontrovertible that the [clear tip] is nothing more than a manifestation of the product's design, as found by the district court"); the Court is convinced that the evidence establishes the conclusion. This is significant because normally

> The functionality doctrine prevents trademark law, which seeks to promote competition by protecting a firm's reputation, from instead inhibiting legitimate

> competition by allowing a producer to control a useful product feature. It is the provence of patent law, not trademark law, to encourage invention by granting inventors a monopoly over new product designs or functions for a limited time, . . . after which competitors are free to use the innovation. If a product's functional features could be used as trademarks, however, a monopoly over such features could be obtained without regard to whether they qualify as patents and could be extended foreover (because trademarks may be renewed in perpetuity).

Qualitex, —— U.S. at ——, 115 S.Ct. at 1304; *see also Two Pesos*, 505 U.S. at 769, 112 S.Ct. at 2758 ("It is also clear that eligibility for protection under § 43(a) depends on nonfunctionality").

The panel majority's determination in *Shakespeare II* that Shakespeare's trademark may not be cancelled on the ground of functionality entitles the mark to remain on the Federal Register and, due to its incontestability, to be entitled to certain evidentiary benefits. This determination, which the Court fully respects, makes this case somewhat unique, since it removes Shakespeare's trademark from within the normal scope of the functionality rule. However, as addressed above, functionality is still a relevant factor and where, as here, a party (Silstar) seeks, in good faith and not as a means of source-identification, to use a functional feature of a product which another party (Shakespeare) has registered as a trademark, it is not unreasonable or unfair to allow even some residual confusion to occur. Under these circumstances, there could likely be no fairer use of a registered trademark. *See again Bonito Boats*, 489 U.S. at 164, 109 S.Ct. at 984 (" '[r]eproduction of a functional attribute is legitimate competitive activity' "); *Inwood Labs*, 456 U.S. at 857 n. 20, 102 S.Ct. at 2190 n. 20 ("By establishing . . . that uniform capsule colors served a functional purpose, the petitioners offered a legitimate reason for producing

an imitative product"); *Devan Designs*, 25 U.S.P.Q.2d at 1400, 1992 WL 511694 ("Competition on functional . . . features is encouraged"). For these reasons, the Court concludes that Silstar must prevail on its fair-use defense.

III. CONCLUSION

Based on the foregoing, the Court hereby ORDERS on this the 17th day of November, 1995, at Columbia, South Carolina, that judgment be ENTERED in favor of Silstar on Shakespeare's claims due to (1) Shakespeare's failure to prove likelihood of confusion and (2) Silstar's establishment of its fair-use defense.[33]

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[33] The Court has addressed and rejected *supra* Silstar's counterclaims seeking cancellation.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOURTH CIRCUIT

No. 92-2311

SHAKESPEARE COMPANY,
Plaintiff-Appellant,
v.

SILSTAR CORPORATION OF AMERICA, INCORPORATED,
Defendant-Appellee.

Argued March 31, 1993

Decided Nov. 15, 1993

Before WIDENER and NIEMEYER, Circuit Judges, and CHAPMAN, Senior Circuit Judge.

OPINION

CHAPMAN, Senior Circuit Judge:

This appeal presents an issue of first impression for this court: whether a district court considering cancellation, pursuant to § 37 of the Lanham Act (15 U.S.C. § 1119 (1988)), of a trademark that has been registered more than five years, and is incontestable pursuant to 15 U.S.C. § 1065 (1988), can order cancellation on the ground that the trademark is found to be functional, even though functionality is not one of the grounds set forth in 15 U.S.C. § 1064. We hold that Congress adopted 15 U.S.C.

§ 1119 to give the district court power concurrent with, but not in excess of, the Patent and Trademark Review Board and that the district court is also limited by the language of the statutes controlling the Board. We therefore hold that the district court improperly canceled the registration on the ground of functionality because functionality is not one of the statutorily enumerated grounds upon which a trademark registered more than five years may be canceled.

FACTS

Shakespeare, a manufacturer of fishing rods, is located in Columbia, S.C. In 1976 Shakespeare inaugurated its immensely successful line of "Ugly Stik" fishing rods for both salt and fresh water fishing. About 80-90% of these rods, as well as some of Shakespeare's other rods, feature a section of solid fiberglass near the tip which appears clear or translucent. The "clear tip," as Shakespeare calls it, is the subject of this litigation.

The clear tip rods are manufactured in a two-stage process, which was perfected in the 1970's. First, a fiberglass cloth is wrapped around a hollow graphite tube. Second, fiberglass fibers are stretched lengthwise from the handle of the rod to the tip. Some of these fibers extend beyond the end of the graphite tube and form the solid fiberglass tip. This composition represented the culmination of a series of techniques developed by Shakespeare and it resulted in a superior rod that is both lightweight and very strong.

Before Shakespeare began production of the clear tip it had used polyester resin compatible fiberglass in its fishing rods. This type of fiberglass naturally solidifies into a whitish-frosty (not clear) color. In producing the clear tip rods, however, Shakespeare began to use epoxy resin compatible fiberglass because they found it to be the most compatible for use with the graphite tube. This second type of fiberglass solidifies naturally into a clear or translucent color. The Ugly Stiks, and other Shakespeare rods using epoxy resin compatible fiber-

glass, therefore, feature a clear or translucent tip and a darker-colored rod.

On May 5, 1978 Shakespeare filed for registration of Trademark Registration number 1,261,786. That registration states:

> [Shakespeare] claims no proprietary right in the configuration of the fishing rod itself as a trademark when it lacks the whitish, translucent tip portion feature. The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft.

J.A. at 544.

Initially, the request for registration of the clear tip as a trademark was denied by the United States Patent and Trademark Office ("PTO"), which reasoned that the "mark appears to be in the nature of an ornamental design and, as such, does not serve the purpose of indicating origin of the goods in applicant." The PTO offered Shakespeare the opportunity to submit evidence that the clear tip was viewed in the marketplace as an indication that Shakespeare was the source of the rod. Shakespeare submitted copies of advertisements and catalogs as evidence that the clear tip had been promoted as a trademark of the company. It also submitted seven identical affidavits of buyers and retailers who testified that the clear tip "automatically" identified the rods as coming from Shakespeare.

The trademark was placed on the Principal Register on December 20, 1983.

On November 13, 1989, after it had been on the register for five years and other conditions had been satisfied, the trademark became "incontestable" pursuant to 15

U.S.C. § 1065 (1988).[1] Incontestability is "conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the mark in commerce." 15 U.S.C. § 1115(b) (1988).

In July 1990 Silstar Corporation ("Silstar"), a Korean-owned manufacturer of fishing rods, with its principal place of business in Lexington, South Carolina, introduced a line of fishing rods called the Silstar Power Tip Crystal rods. Shakespeare representatives testified they first became aware of this line through Silstar's advertisement in the July 1990 issue of Fishing Tackle Retailer. The Silstar rods featured a color combination, with a clear fiberglass section, similar to that of the Shakespeare clear-tip line.

Shakespeare instituted this action July 20, 1990 in the United States District Court for the District of South Carolina, Columbia Division. It asserted three claims against Silstar: trademark infringement under Section 32(1) of the Lanham Trademark Act of 1946 ("the Lanham Act"), 15 U.S.C. § 1114(1) (1988); unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) (West 1982 & Supp.1993); and common law trademark infringement and unfair competition.

Silstar answered and defended on the grounds that its use of the clear tip was a "fair use" under § 1115(b)(4). Silstar also counter-claimed seeking cancellation of Shakespeare's trademark on the grounds that the mark was both functional and generic.

On July 20, 1990 Shakespeare also filed a motion for a temporary restraining order and for a preliminary injunc-

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[1] § 15 the Trademark Act of 1946 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. § 1051 et seq. (1988). Citations to the sections of the Lanham Act have been deleted. All statutes cited can be found in the Lanham Act, Title 15 U.S.C. § 1051 et seq. (1988).

tion against Silstar's distribution of the Power Tip Crystal rods. These motions were heard by then District Judge Clyde H. Hamilton, who found the motion for TRO moot but granted Shakespeare a preliminary injunction.

After a bench trial March 19-20, 1992, 802 F.Supp. 1386, before Judge Dennis Shedd, the court dissolved the preliminary injunction, ruled in favor of Silstar on each of Shakespeare's claims, and canceled Shakespeare's trademark on the clear tip.

The District Court's reasoning may be summarized as follows: that there was no dispute the Shakespeare's trademark on the clear tip had become "incontestable" pursuant to § 1065; that such status was conclusive evidence of Shakespeare's ownership of the trademark and its right to control it, pursuant to § 1115(b); that Silstar could defend by proving that its use of the mark was a fair use because the mark was merely descriptive of its product; that Silstar's use of the clear tip was a fair use because the court found the clear tip was merely descriptive of the contents of the product, namely fiberglass; that Silstar was not using the clear tip as a trademark or in bad faith; and that this determination rendered the trademark merely *prima facie* evidence of Shakespeare's right to own and control the clear tip. The court then found Silstar was entitled to raise equitable defenses to the infringement action under § 1115(a).

The court held that an element of a product that is functional is not subject to trademark protection, and that fiberglass was selected to compose the tip because it is the strongest, most practical material for the tip of a fishing rod. It found the clear tip to be functional because its very appearance communicates to the consumer that it is composed of fiberglass. Finding the clear tip to be functional and not intended to communicate a brand of origin, the district court concluded that it was required to cancel the trademark.

The district court's determination that there was no trademark infringement resulted in the dismissal of the dependent statutory claim for unfair competition, and the common law claims for trademark infringement and unfair competition.

I.

The issue is whether a district court, pursuant to its power under § 1119, can cancel the registration of a trademark on grounds not enumerated in § 1064, namely "functionality," if the registration is more than five years old.

A.

Federal trademark protection was overhauled and consolidated with the passage of the Trademark Act of 1946 (Lanham Act), 60 Stat. 427, as amended, 15 U.S.C. § 1051 (1988), *et seq.* It was adopted to establish consistent nationwide protection for trademarks by creating a system of registration, by instituting safeguards for those trademarks registered for a period of time, and by setting forth an administrative process for infringement actions. *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 193, 105 S.Ct. 658, 661, 83 L.Ed.2d 582 (1985).

As previously noted, Shakespeare's trademark on the clear tip was placed on the principal register in 1983, and by the time of this lawsuit it had achieved incontestable status, pursuant to 15 U.S.C. § 1065. A registered trademark becomes incontestable after it has been registered and in continuous use for five years and meets four other requirements.[2]

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[2] That provision requires:

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

Incontestability conferred on the registration is conclusive evidence of its validity and of Shakespeare's ownership of and exclusive right to use the trademark. 15 U.S.C. § 1115(b).[8] This section states that the conclusive evi-

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(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered.

15 U.S.C. § 1065.

[8] § 1115(b) states:

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defects:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

dence is subject to certain defenses: ". . . equitable principles, including laches, estoppel, and acquiescence are applicable." *Id.* "If one of the defenses is established, registration constitutes only prima facie and not conclusive evidence of the owner's right to exclusive use of the mark." *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 199 n. 6, 105 S.Ct. 658, 664 n. 6, 83 L.Ed.2d 582 (1985).

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(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

15 U.S.C. § 1115(b).

If a party attacking the validity of a registration seeks cancellation through the Trademark Trial and Appeal Board ("the Board") it is explicitly limited by §§ 1115 and 1064.[4] An administrative attack on a registered

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[4] 15 U.S.C. § 1064 states:

§ 1064 Cancellation of registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this chapter.

(2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not

trademark more than five years after the date of publication of its initial registration, regardless of whether it is incontestable, may only be brought on grounds enumerated under 15 U.S.C. § 1064. *Id.* Therefore, § 1064 has been described as a kind of statute of limitations for actions seeking cancellation of marks registered for more than five years. 2 J. Thomas McCarthy *McCarthy on Trademarks and Unfair Competition* § 20-15[1] at 20-91 (3rd Ed.1992).

In our case, however, Silstar sought cancellation in a responsive pleading in the district court, rather than through the Board. Pursuant to another provision of the Lanham Act, 15 U.S.C. § 1119, the district court is empowered to cancel registrations,[5] but § 1119 lists no

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been published under the provision of subsection (c) of section 1062 of this title.

(5) At anytime in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraghs (3) and (5) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

[5] Power of court over registration

In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

15 U.S.C. § 1119.

grounds upon which a registration may be canceled and simply states the district "court may determine the right to registration. . . ." This raises the issue of whether the district court's authority to cancel under § 1119 is circumscribed by the same limitations that restrain the Board in an administrative cancellation proceeding.

B.

This is a novel question and we have not found a case that squarely addresses this precise issue. However, the Supreme Court has given some guidance in the only case in which it has discussed § 1119, *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985). Though the central issue in *Park 'N' Fly* differs from that of the case at bar, we consider it to be analogous and therefore worthy of consideration.

In *Park 'N' Fly* Petitioner operated, under the name, Park 'N' Fly, a chain of parking lots located in close proximity to airports in Cleveland, Houston, Boston, Memphis and San Francisco. 469 U.S. at 191, 105 S.Ct. at 660. Its trademarked name was registered and had attained incontestable status. *Id.* Respondent operated, under the name Dollar Park and Fly, parking services near the airport in Portland, Oregon. 469 U.S. at 192, 105 S.Ct. at 660. Petitioner brought this infringement action in the United States District Court for the District of Oregon, seeking to permanently enjoin respondent from use of the name Dollar Park and Fly. *Id.* In its response, respondent, *inter alia*, sought cancellation, pursuant to § 1119, of petitioner's trademark on two grounds: that it was a generic term and that it was merely descriptive. *Id.*

The district court found that the mark was not generic and that an incontestable mark was not susceptible to challenge on the basis of being merely descriptive. The court granted the permanent injunction against respondent's use of the phrase "Park and Fly." *Id.*

The U.S. Circuit Court of Appeals for the Ninth Circuit reversed, holding that incontestability cannot be used as an offensive weapon in an infringement action. *Park 'N' Fly, Inc. v. Dollar Park & Fly, Inc.*, 718 F.2d 327, 331 (9th Cir.1983). The court acknowledged its view was in direct conflict with that of the Seventh Circuit, as expressed in *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir.), *cert. denied*, 429 U.S. 830, 97 S.Ct. 91, 50 L.Ed.2d 94 (1976). The circuit court held that in order to enjoin another's use of a trademark, the holder of even an incontestable mark must show that it would continue to qualify for registration. *Park 'N' Fly*, 718 F.2d at 331. After determining that petitioner's mark was merely description, the circuit court held that petitioner's mark would not be entitled to continued registration but for its incontestable status. *Id.* The court held that "a party can defend against the effect of federal registration by a showing that would suffice to cancel the mark in question were it not incontestable." *Id.* The circuit court therefore affirmed the district court's decision not to cancel the mark but reversed its decision to enjoin respondent from use of the mark. 718 F.2d at 332.

On appeal the Supreme Court recognized the split in the circuits over whether incontestability can be used offensively. Writing for the majority, Justice O'Connor stated that the Lanham Act clearly reflected that Congress contemplated that incontestability would be invoked by a registrant in an infringement action. 469 U.S. at 196, 105 S.Ct. at 662.

> The incontestability provisions . . . provide a means for the registrant to quiet title in the ownership of his mark. . . . This function of the incontestability provisions would be utterly frustrated if the holder of an incontestable mark could not enjoin infringement by others so long as they established that the mark would not be registrable but for its incontestable status.

469 U.S. at 198, 105 S.Ct. at 663.

The Court held that a district court, entertaining an action for cancellation of a mark, is obliged to consider the limits of the Lanham Act.

> [T]he power of the courts to cancel registrations and "to otherwise rectify the register," § 37, 15 U.S.C. § 1119, must be subject to the specific provisions concerning incontestability. In effect, both respondent and the dissent argue that these provisions offer insufficient protection against improper registration of a merely descriptive mark, and therefore the validity of petitioner's mark may be challenged notwithstanding its incontestable status. Our responsibility, however, is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted.

Park 'N' Fly, 469 U.S. at 203, 105 S.Ct. at 666.

If the power of the district court under § 1119 is implicitly constrained by the specific provisions of one subsection of the Lanham Act, § 1115(b), it is reasonable to conclude that it is limited by another related subsection, § 1064. The Court states that § 1064 does limit cancellation of a registration more than five years old, 469 U.S. at 197, 105 S.Ct. at 663, and this would be cancellation pursuant to § 1119 because the Court's inquiry was rooted in that context.

We are persuaded that the rationale enunciated by Justice O'Connor in *Park 'N' Fly* would apply so as to limit cancellation under § 1119 to the grounds set forth in § 1064. Functionality is not one of such grounds and it may not be used as a basis for cancellation of a registration more than five years old.

We have considered the possibility that functionality invalidates a trademark at any stage of the process, and that registration offers no protection whatsoever to an invalid mark that should never have been registered in the

first place. This is the position taken by Justice Stevens in his dissent in *Park 'N' Fly*, 469 U.S. at 206, 105 S.Ct. at 667. Justice Stevens argued that mere descriptiveness, the quality at issue in that case, invalidated the registration, 469 U.S. at 206-07, 105 S.Ct. at 667-68, and that incontestability could not be used as a shield behind which an invalid mark could hide. 469 U.S. at 211, 105 S.Ct. at 670. We find these arguments unpersuasive.

Perhaps the provisions of the Lanham Act apply only to valid trademarks, and that a functional trademark is invalid, but it would seem anomalous for Congress to enumerate specific grounds for cancellation for a five-year-old registration, as it has done in § 1064, and not list functionality, if it intended functionality to serve as such a ground. As Justice O'Connor stated "[o]ur responsibility . . . is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted." 469 U.S. at 203, 105 S.Ct. at 666.

Prior to *Park 'N' Fly* the Eighth Circuit applied the same rule in *Wrist-Rocket Manufacturing Co. v. Saunders Archery Co.*, 516 F.2d 846, 852, (8th Cir.), *cert. denied*, 423 U.S. 870, 96 S.Ct. 134, 46 L.Ed.2d 100 (1975), and held that the district court was not empowered, under § 1119, to cancel an incontestable trademark on the ground that the original registration was obtained with false statements. 516 F.2d at 852. The court stated that the grounds for removing incontestable status are listed in § 1115(b). It also observed that one of the grounds listed in § 1115(b) is that the registration was obtained fraudulently. The court held that, although false statements were used, the registration was not made with the intent to defraud and was therefore not made fraudulently. In concluding that the district court canceled improperly, the court held the "specific language [of § 1115] limits the power of the District Court pursuant to . . . § 1119." *Id.*

In another line of cases this court and others have suggested an inclination to limit § 1119 with § 1064 in discussions of the purpose of § 1119. In *Durox Co. v. Duron Paint Mfg. Co.*, 320 F.2d 882 (4th Cir.1963), we stated, "[t]he authority given by [§ 1119] to the courts over the respective rights of parties to trademark registrations is concurrent with the authority of the Patent office to conduct opposition and cancellation proceedings, and the remedies are not mutually exclusive." We explained that the purpose of § 1119 is to make it possible for trademark actions that include cancellation proceedings to be consolidated in the district court. More recently, the Third Circuit reiterated its position in a former case stating, "There the court said that proceedings in the patent office and [§ 1119] are concurrent remedies. We, of course, agree." *Ditri v. Coldwell Banker Residential Affiliates, Inc.*, 954 F.2d 869, 874 (3rd Cir.1992) (citing *Simmonds Aerocessories v. Elastic Stop Nut Corp.*, 257 F.2d 485 (3rd Cir.1958)).

C.

Our conclusion that the power of cancellation given to the district court by § 1119 is limited by § 1064, has support among the commentators.

In his treatise *McCarthy on Trademarks and Unfair Competition*, J. Thomas McCarthy states:

> Some courts have held that the civil courts are bound by the same grounds for cancellation as is the Patent and Trademark Office. There has been doubt expressed whether a court, pursuant to its inherent equity power, has the right to order cancellation of a registration over five years old for some ground other than that specified in the Act. The Supreme Court has observed that the power of federal courts under [§ 1119] to cancel registrations "must be subject to the specific provisions concerning incontestability," which in turn incorporate the criteria of [§ 1064] by reference. By implication, this means that a court in

> litigation is bound by the grounds for cancellation in [§ 1064] (citing *Park 'N' Fly*).

J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 30.32[4] at 30-162 (3rd Ed.1992) (citations omitted).

The commentator Siegrun D. Kane states, "[t]here is some dispute as to whether the limits placed on Patent and Trademark Office cancellation proceedings also apply to court proceedings. A coherent reading of the statute suggests that the grounds for cancellation should be the same in both forums." Siegrun D. Kane, *Trademark Law* 281 (2d Ed.1991).

Jerome Gilson, author of *Trademark Protection and Practice,* expressed the following view:

> The broad grant of judicial power in [§ 1119] is not unlimited, however. First, the court is still required to exercise reasonable judicial discretion. Thus, a trial court was found to have abused its discretion when it failed to order cancellation of a trademark which it had found to be generic. Second, a court exercising its power under [§ 1119] is bound by the presumptions which accompany incontestability under [§ 1065].

Jerome Gilson, *Trademark Protection and Practice* § 4.10[2] at 4-63 (revised 1989).

In conclusion, we hold that the district court erred in canceling, pursuant to 15 U.S.C. § 1119, the trademark held by Shakespeare on the grounds that it is functional, because that is not an authorized ground for cancellation under 15 U.S.C. § 1064. Since no other ground enumerated under § 1064 was alleged by Silstar, the mark is valid as a matter of law. We therefore reverse the district court and remand the case for further consideration of Shakespeare's statutory and common law infringement and unfair competition claims. We further instruct the district court that any inquiry into an alleged "fair use" of the clear tip

must be accompanied by an analysis of the likelihood of confusion among consumers that may be created by Silstar's use of the clear tip.

REVERSED.

NIEMEYER, Circuit Judge, dissenting:

While the majority treats this case as if it involved solely the cancellation of a trademark registration, I respectfully submit that such an analysis overlooks the antecedent issue of whether an enforceable trademark exists. Moreover, the question of whether Shakespeares' registration may be canceled is analytically distinct from the question of whether a defense to its enforcement exists, and the two are governed by different statutory provisions. The initial question, therefore, which is not addressed by the majority but which is dispositive of the case, is whether this court should enforce the trademark, not whether this court should cancel it (the relief prayed for in the counterclaim). When the doctrine of functionality, the full extent of which is not articulated in the majority's opinion, is applied, the judgment of the district court must be affirmed.

The doctrine of functionality is an extra-statutory doctrine, neither defined nor limited by the express provisions of the Lanham Trademark Act, which denies a perpetual monopoly of that which is functional. Despite the absence of a textual basis for this doctrine, it is integrated into the Act because of the presumption that Congress did not intend to upset the well-established principle that trademark protection is inapplicable to the functional. The doctrine of functionality is a public policy trump card that may be played against an otherwise valid trademark, not an element to be considered in determining a mark's validity. Even if every presumption is made in favor of the existence of a trademark—that the mark enables determination of source, that it distinguishes the relevant goods, and that it has secondary meaning—these factors will not allow a

functional feature to be monopolized beyond the limits imposed by the law of patents in compliance with the Constitution. *See* U.S. Const., art. I, § 8, cl. 8 (empowering Congress to grant exclusive rights to inventions only for "limited times"). As is shown below, the law is properly summarized by texts that teach:

> Even if a functional feature has achieved consumer recognition (secondary meaning) of that feature as an indicia of origin, the feature cannot serve as a legally protectable symbol.

J. Thomas McCarthy, *Trademarks and Unfair Competition*, § 7.26 (3d ed. 1992).

Before discussing the nature of the doctrine of functionality, I must revert to the facts and the findings of the district court which place the case before us directly under the doctrine.

I

For years fishing rods have been made from fiberglass, both hollow and solid. Hollow fiberglass rods are lighter and less expensive than solid ones, but they also are more inclined to break, particularly at the tip. While solid rods are stronger, they are also heavier and more expensive than hollow ones. Shakespeare Company, one of the leading manufacturers of fishing rods, developed a process to make use of the benefits of each type of rod by combining a hollow fiberglass base with a solid fiberglass tip.

With the introduction of graphite in the mid-1970's, Shakespeare developed yet a stronger and lighter rod by using a hollow graphite base with a solid fiberglass tip, and it obtained a patent on the process of combining the graphite base with a fiberglass tip. Consequently, for years only Shakespeare sold rods with hollow graphite bases and solid fiberglass tips. The natural color of the graphite was charcoal gray and that of the fiberglass was clear or a whitish translucence.

While Shakespeare was at first troubled by the lack of aesthetic value in the two-colored rod, with its acceptance by consumers Shakespeare sought to capitalize on its homely appearance, denominating it the "Ugly Stik."

Shakespeare applied to the Patent and Trademark Office for registration of marks for the name and the appearance of the rod. The Patent and Trademark Office granted both. The mark covering the appearance of the rod claims exclusive right to market a rod

> in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft.

United States Trademark Registration No. 1,261,786 (registered on the principal register). To enhance the appearance of the rod, Shakespeare added dye to darken the rod's gray base and made efforts to clarify the resin in the tip. These changes, however, are not material to the issues in this case, because Shakespeare's mark extends beyond rods so altered and through it Shakespeare seeks to preclude Silstar Corporation of America, Inc., a competing manufacturer of rods, from selling a rod with a hollow graphite base and a fiberglass tip—a rod in which both graphite and fiberglass materials have been left with their natural appearance.

With the expiration of Shakespeare's patent for the process of manufacturing a hollow graphite rod with a solid fiberglass tip, Silstar began manufacturing similar rods to obtain the same functional benefits. Silstar, however, used a method of manufacture different from that covered by Shakespeare's patent. Silstar contends it chose to leave the graphite and fiberglas materials with their natural appearance "in order that the consumer will understand and appreciate the qualities which the rod possesses and because it is the easiest, least expensive and most desirable method of making its rod."

When Silstar's rod first appeared under the name Silstar Power Tip Crystal rod, Shakespeare asserted that it owned a trademark in the appearance of a rod with a gray base and clear tip like Silstar's. Moreover, it noted that its mark had been published by the trademark office for over five years and had become incontestable under 15 U.S.C. § 1065. In response to Silstar's contention that Shakespeare could not claim a mark in the functional design of the rod, Shakespeare argued that once a mark becomes incontestable, it cannot be canceled by the court under 15 U.S.C. § 1119, because Congress did not provide an express exception to incontestability under 15 U.S.C. §§ 1065 & 1115, based on the fact that a mark is a functional design. The district court disagreed and ordered that the mark be canceled.

The facts which the district court found following trial and on which it based its opinion are critical because they are amply supported by the evidence in the record, and the majority opinion accepts them for the basis of its decision, as do I.

The district court found that after Shakespeare developed the process of manufacturing a hollow graphite rod with a solid fiberglass tip, it sold the rod for approximately one year with the natural appearance "which resulted from the manufacturing process." The base was charcoal gray, the natural color of graphite, and the tip was "whitish-translucent, or clear," which is the natural color of fiberglass. The court found that Shakespeare chose to market the rod with the two-color appearance so that "consumers could see and identify the unique appearance of the rod and recognize the enhanced features of the graphite base and the solid fiberglass tip. The appearance of the enhanced features derived from the natural colors of the materials used." While Shakespeare enhanced the natural colors, the mark it claims covers the materials with their natural appearance:

> The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft.

The court found that the appearance described in the trademark was the natural appearance of the *functional features* of a graphite rod with a solid fiberglass tip and to alter this natural appearance would impose additional costs on a manufacturer. The court concluded about the Shakespeare mark:

> In this case there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and opaque base represent the natural colors of the graphite and fiberglass resin which compose the rod. To allow Shakespeare to have a perpetual monopoly on the color configuration would unquestionably hinder competition since it would preclude all competitors from using the natural and most effective means of marketing their products, and would require them to use a less effective and more costly method.

The court found that Silstar's Power Tip Crystal rod, other than having the same color of the graphite base and fiberglass tip, was significantly different from Shakespeare's in appearance. It found that Silstar chose to leave the graphite and fiberglass in their original state in order that "consumers can see and understand the qualities the rod possesses." The court concluded similarly, "whatever attention is drawn to the clear tip on the [Silstar] Power Tip Crystal rod serves merely to inform a prospective purchaser of the components and attributes of the rod."

Having found that Shakespeare's mark is nothing more than the manifestation of its functional features and therefore not subject to registration, i.e. it is nothing more than the natural appearance of functional materials used in their most inexpensively displayed state, the district court ordered the Commissioner of Patents and Trademarks to cancel Shakespeare's mark for the two-colored rod.

II

Preservation of the freedom to copy functional features is the issue in this case. This freedom has constitutional, statutory, and common law underpinnings. It is this freedom which the doctrine of functionality embodies.

Perhaps the most forceful and analytically complete statement of the doctrine of functionality is found in *In re Deister Concentrator Co.*, 289 F.2d 496 (C.C.P.A. 1961). In *Deister*, the Court of Customs and Patent Appeals refused registration of a rhombohedral coal sorting table because the court found the shape to be dictated by functional concerns. The court noted that while the table's rhombohedral shape may well have acquired secondary meaning with the public,

> what appellant fails to take into account is that as to some words and shapes the courts will never apply the "secondary meaning" doctrine so as to create monopoly rights. The true basis of such holdings is not that they cannot or do not indicate source to the purchasing public but that there is an overriding public policy of preventing their monopolization, of preserving the public right to copy. A certain amount of purchaser confusion may even be tolerated in order to give the public the advantages of free competition.
>
> * * * *
>
> It seems to us that this case perfectly exemplifies what we mean by a functional or utilitarian shape which is incapable of acquiring a legally recogniz-

> able "secondary meaning" or of becoming an enforceable trademark for the simple reason that, absent patent protection, the public has the right to copy the shape and enjoy its advantages. Under no circumstances can it be accorded the legal protection to which trademarks are entitled. This being so, there is no need to consider the extensive efforts made by the use of what appellant calls advertising "gimmicks" featuring "rhomboidal" shapes or otherwise, to turn this outline shape of the goods, per se, into a registrable mark. It has attempted the impossible.

289 F.2d at 505.

The Court of Customs and Patent Appeals later succintly and forcefully restated its holding in *Deister* as follows:

> In our Deister opinion we pointed out that, in line with consistent decisions of the United States Supreme Court and other courts, nothing which the public has or would have a right to copy, in the absence of valid patent or copyright protection, can be the subject of a valid trademark registration and that this is so irrespective of public acceptance of the subject matter sought to be registered as an indication of source. We pointed out that this is a fundamental principle of the law of trademark ownership which is outside the provisions of the trademark statute (the Lanham Act), to which the provisions of that statute are subservient. We also pointed out that the principle applies without regard to the effort or money expended in an attempt to create trademark rights in something which the public has or will have the right to copy.

In re Pollak Steel Co., 314 F.2d 566, 567 (C.C.P.A. 1963).

The successor to the Court of Customs and Patent Appeals, the Federal Circuit, has made clear that the func-

tionality defense is based on the vindication of the public's right to copy and is brought into play only after the elements of trademark ownership have been established. In *Black & Decker, Inc. v. Hoover Service Center*, 886 F.2d 1285 (Fed. Cir.1989), the court laid out some basic principles related to the functionality defense while vacating a clearly erroneous finding that the shape of a handheld vacuum's bowl was functional:

> The Court of Appeals for the Second Circuit, whose law we apply to a denial of an injunction against trademark infringement in that Circuit, has stated that the accused infringer bears the burden of establishing the functionality defense, a defense created to insure its right to compete effectively by adopting the configuration claimed as a trademark. Thus the defense arises out of public policy and only after plaintiff has shown a basis for claiming a trademark right in the configuration. When upheld, the defense turns the balance against the risk of consumer confusion and in favor of competition by permitting others to use the configuration when, because of its functionality, they must do so to compete efficiently and thus effectively. That result has been stated as "functional features cannot be trademarks." *See* J. McCarthy, *Trademarks and Unfair Competition* § 7:26 (2d ed. 1984).
>
> *Proof that a configuration of goods is functional in the legal sense is a complete defense to establishment of a trademark right* that a plaintiff would otherwise have in that configuration.

Black & Decker, 886 F.2d at 1291 (emphasis added; some citations omitted); *see also In re Morton-Norwich Products, Inc.*, 671 F.2d 1332, 1336-37 (C.C.P.A.1982) (trademarks for product designs are limited to "nonfunctional" features); *In re Water Gremlin Co.*, 635 F.2d 841, 843-44 (C.C.P.A.1980) (same).

The Third Circuit has also set out the rationale for the doctrine of functionality at some length, in the context of denying trade dress protection to a roofing seam found functional:

> To allow indefinite trademark protection of product innovations would frustrate the purpose of the limited duration of patents to foster competition by allowing innovations to enter the public domain after seventeen years. As the United States Supreme Court stated nearly a century ago:
>
> > It is self evident that on the expiration of a patent the monopoly created by it ceases to exist, and the right to make the thing formerly covered by the patent becomes public property. It is upon this condition that the patent is granted. It follows, as a matter of course, that on the termination of the patent there passes to the public the right to make the machine in the form in which it was constructed during the patent.
>
> *Singer Mfg. Co. v. June Mfg Co.*, 163 U.S. 169, 185, 16 S.Ct. 1002, 1008, 41 L.Ed. 118 (1896).

Merchant & Evans, Inc. v. Roosevelt Bldg. Products Co., 963 F.2d 628, 633-34 (3d Cir.1992).

While the doctrine of functionality facilitates the copying of functional ideas, behavior which might appear to some to be unattractive, copying furthers competition that is key to our chosen economic system, a system which does not leave room only for conduct that is genteel. Indeed, the Supreme Court has observed that the limited time periods given to patentees by the Constitution and our patent laws create "a federal right to copy and to use." *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 165, 109 S.Ct. 971, 985, 103 L.Ed.2d 118 (1989). Judge Medina once reflected on the harshness of our system's practice of allowing copying of that which is in the public

domain, even when such copying results in one part benefiting from the labor of another:

> [A]t first glance it might seem intolerable that one manufacturer should be allowed to sponge on another by pirating the product of years of invention and development without license or recompense and reap the fruits sown by another. Morally and ethically such practices strike a discordant note. It cuts across the grain of justice to permit an intruder to profit not only by the efforts of another but at his expense as well.
>
> But this initial response to the problem has been curbed in deference to the greater public good. For imitation is the life blood of competition. It is the unimpeded availability of substantially equivalent units that permits the normal operation of supply and demand to yield the fair price society must pay for a given commodity. Unless such duplication is permitted, competition may be unduly curtailed with the possible resultant development of undesirable monopolistic conditions. The Congress, realizing such possibilities, has therefore confined and limited the rewards of originality to those situations and circumstances comprehended by our patent, copyright, and trademark laws. When these statutory frameworks are inapplicable, originality per se remains unprotected and often unrewarded. For these reasons and with these limitations the bare imitation of another's product, without more, is permissible. And this is true regardless of the fact that the courts have little sympathy for a wilful imitator.

American Safety Table Co. v. Schreiber, 269 F.2d 255, 271-72 (2d Cir.), *cert. denied,* 361 U.S. 915, 80 S.Ct. 259, 4 L.Ed.2d 185 (1959).

The doctrine of functionality is well established and has long been applied, drawing its strength from constitutional

underpinnings. Article I, section 8, clause 8 of the U.S. Constitution empowers Congress, "To Promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective writings and Discoveries." This formulation, stressing the limited time for which rights in discoveries are to be secured, was a direct response to the long history of British grants of private monopolies. The doctrine of functionality furthers this constitutional value, as well as conforming trademark law to Congress' statutory scheme set forth to govern patents. As the Supreme Court has explained, patent law has three goals:

> First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

Aronson v. Quick Point Pencil Co., 440 U.S. 257, 262, 99 S.Ct. 1096, 1099, 59 L.Ed.2d 296 (1979). Two of these—the preservation of free use of functional ideas in the public domain and the passage of technology to the public sphere upon a patent's expiration—are potentially at odds with trademark law. Only through strict observation of the doctrine of functionality may the courts avoid frustration of the congressional policies underlying patent law, which provides for the passage of utilitarian product features into the public realm within a set time frame. Patent law was intended by Congress to be the sole source of protection for functional features. The three other areas of intellectual property law—trademark, copyright, and design patent—share the basic policy of the functionality doctrine: that the public interest in free competition prohibits functional or utilitarian product features from achieving protection beyond that offered by the patent laws.

1 Jerome Gilson, *Trademark Protection and Practice* § 2.14 (1993).

Three major Supreme Court cases have articulated the constitutional policy of denying *perpetual* protection to functional innovations, *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 84 S.Ct. 784, 11 L.Ed.2d 661 (1964), *Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234, 84 S.Ct. 779, 11 L.Ed.2d 669 (1964), and *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989). In each of these cases the Court invalidated state-created grants of perpetual protection to functional designs under state unfair competition law, holding such grants inconsistent with the Supremacy Clause because of the manifested congressional intent to limit protection of such inventions to those protections provided in the patent law. Although the *Sears-Compco-Bonito Boats* trilogy does not directly control this case, it stands for the general principle that there is a strong federal policy against granting perpetual private rights in functional designs. In passing the Lanham Act, Congress intended neither to repudiate this policy nor to disturb the traditional exclusion from trademark protection of functional features.

Guidance in the inquiry into the bounds of the functionality doctrine is found in the fundamental theory underlying trademark protection. The presumption is that everyone has the right to use expressions, though Congress may grant a monopoly over particular usages to encourage trade. *In re Deister Concentrator Co.*, 289 F.2d 496, 501-02 (C.C.P.A.1961). The fundamental goals of the Lanham Act are in no way compromised by its recognition of the doctrine of functionality. Those goals are explicitly stated by the Act:

> The intent of this Act is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such com-

> merce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits, or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trademarks, trade names, and unfair competition entered into between the United States and foreign nations.

15 U.S.C.A. § 1127. These goals were restated by the Supreme Court in *Park 'N' Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985):

> The Lanham Act provides national protection of trademarks in order to secure to the owner of the mark the goodwill of his business and to protect the ability of consumers to distinguish among competing producers. See S.Rep. No. 1333, at 3, 5. National protection of trademarks is desirable, Congress concluded, because trademarks foster competition and the maintenance of quality by securing to the producer the benefits of good reputation. *Id.* at 4.

469 U.S. at 198, 105 S.Ct. at 663.

The incontestability rights created by the Lanham Act are intended only to further these goals. Incontestability increases a producer's certainty that it will be able to retain the benefits of the good reputation it builds for itself, and thereby promotes the Lanham Act's fundamental goal of fostering competition. *Id.* (discussing relevant statutory history). The purpose of incontestability is to "provide a means for the registrant to quiet title in the ownership of his mark." *Id.* This property metaphor is a common one, with incontestability often being compared to adverse possession—both establish title through

lack of opposition. The failure to contest ownership waives an attack on title to real property; it does not, however, create property in that which is not subject to ownership. By the same token, the fact that title in a trademark is quieted does not imply that the value of that title has somehow increased. If title to a trademark was useless at the outset, as is title to a trademark in a functional feature, it remains so even if conclusively established.

III

The well supported findings of the district court may be summarized to conclude that the appearance of the Shakespearke rod resulted solely from the natural appearance of materials assembled for the purpose of providing a lighter and stronger fishing rod. The invention was to attach a clear fiberglass tip to a hollow graphite base—with materials selected for their function and not appearance. Consistent with the natural appearance of the materials—fiberglass (a whitish translucence) and graphite (an opaque charcoal gray)—Shakespeare's trademark claims exclusive right to sell a rod that has a "whitish, translucent" tip and any "opaque" base. Thus, when Silstar manufactured a rod, assembling the same materials for the same functional purpose, Shakespeare brought suit even though Silstar left the materials in their original appearance and used the least expensive method of manufacture. It is uncontrovertible that this appearance is nothing more than a manifestation of the product's functional design, as found by the district court.

There are at least three different ways in which the two-tone appearance feature in which Shakespeare claims its trademark is functional: (1) it is uniquely effective in communicating to the public that high-quality materials, fiberglass and graphite, are included in the product; (2) it is the cheapest form in which the product may be produced (additional expense is involved in disguising the product's natural appearance, as the district court found

as a fact); and (3) its appearance is the natural byproduct of a strong, light, and efficient design chosen for practical, not aesthetic, reasons. Each aspect alone would leave the appearance unprotectable. *See, e.g. W.T. Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir.1985) ("a functional feature is one which competitors would have to spend money not to copy but to design around. . . ."); *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1189 (7th Cir.1989) (same); *Best Lock Corp. v. Schlage Lock Co.*, 413 F.2d 1195, 1199 (C.C.P.A.1969) ("It is settled law that a configuration of an article cannot be registered as a trademark if the purpose of the configuration is to contribute functional advantages to the article in which it is embodied or if the configuration results from functional considerations.")

The Court of Customs and Patent Appeals has decided a case analogous to this one, involving whether a design consisting of the even application of a reflective substance to the tips of fenceposts could constitute a trademark or was barred from such recognition by its functionality. While the applicant argued that other manufacturers could easily make use of this technology while distinguishing their posts by applying the reflective substance in a distinctive pattern (such as a spiral), this argument was soundly rejected:

> Here we have appellant's admission that reflective coating on the top of a fence post *is functional.*
>
> Here we have the ultimate contention that all appellant relies on for registrability in this case is the distinctiveness of its "*design.*" The short answer is that there is no design. While the argument recites a number of possible *arbitrary* designs, appellant's own design is chimerical. The solicitor's brief contains a very practical answer to this argument, of which we approve, and which occurred to us independently, as follows:

> In this case, a simple method of applying the functional reflective coating to the functionally designed metal post is to suspend the post top-downwards and dip it into the coating supply. This method of coating will inevitably produce the coating design shown in appellant's drawing. To permit appellant to assert trademark rights in its alleged mark would clearly have the effect of unjustifiably giving appellant a perpetual monopoly on the simplest and cheapest use of a simple process of applying a functional reflective coating to a functionally designed metal fence post.

In re Pollak Steel Co., 314 F.2d 566, 570 (C.C.P.A. 1963).

The majority opinion would not appear to take issue with the conclusion that Shakespeare's mark is functional. Indeed, it appears to embrace it, concluding only that functionality is not a statutory ground for *cancellation*. "Functionality is not one of such grounds [statutorily given for cancellation] and it may not be used as a basis for cancellation of a registration more than five years old." Majority at 1097.

IV

The majority's focus on cancellation diverts attention to a non-determinative issue—whether the scope of the federal courts' power to cancel registrations is coterminous with that of the patent office. The federal courts are granted broad equitable powers over trademark registrations by 15 U.S.C. § 1119:

> In any action involving a registered mark the court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified

> by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

The majority cites many authorities for the proposition that this authority granted the courts is concurrent with that of the patent office. This may well be true as a general matter, but the present case involves a claim that that office has attempted an act beyond its power and undertaken actions repugnant to federal policy as expressed by the Constitution and statutory enactments. None of the authorities cited deals with such a situation, rendering their broad statements dicta insofar as they are phrased to seem relevant to this very different situation.

That the federal courts, in enforcing a trademark, are allowed to assess independently whether that trademark is permissible as a matter of law seems to me to flow from the judicial power described in *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 2 L.Ed. 60 (1803). As important, the doctrine of functionality, which goes to the question of whether an enforceable trademark ever existed, was never rejected by the Lanham Act. On the contrary, it is tacitly embraced, and every court that has considered the doctrine has so assumed. To conclude otherwise would imply that Congress intended to alter the underlying constitutional policies of restricting monopolies on function to promote copying and competition.

Whether this court should order cancellation of the plaintiff's trademark on the grounds of functionality is a secondary, not a dispositive, question. Even if the registration is allowed to stand, that does not preclude us from denying enforcement of a mark when such enforcement would be repugnant to the policies embodied in this nation's laws. I would affirm the district court's judgment on the grounds that because of its functionality, Shakespeare's trademark cannot be enforced.

For the reasons given, I respectfully dissent.

APPENDIX D

UNITED STATES DISTRICT COURT
D. SOUTH CAROLINA
COLUMBIA DIVISION

Civ. A. No. 3:90-1695-19

SHAKESPEARE COMPANY,
Plaintiff,

v.

SILSTAR CORPORATION OF AMERICA, INC.,
Defendants.

Sept. 24, 1992

MEMORANDUM OPINION AND ORDER

SHEDD, District Judge.

Shakespeare Company ("Shakespeare"), a manufacturer and distributor of fishing rods, is the owner of a federally registered trademark for fishing rods consisting of a whitish-translucent, or clear, tip portion of the rod, combined with an opaque rod base. Shakespeare uses this mark on a variety of types of rods it markets under its "Ugly Stik" line of rods. Shakespeare commenced this action to enjoin Silstar Corporation of America, Inc.'s ("Silstar") attempt to market a fishing rod known as the "Silstar Power Tip Crystal" rod, which has a color configuration similar to that covered by Shakespeare's trademark. Shakespeare asserts three claims for relief: trademark infringement under Section 32(1) of the Lanham Trademark Act of 1946 ("the Lanham Act"), 15 U.S.C. § 1114(1); unfair competition in violation of Section

43(a) of the Lanham Act, 15 U.S.C. § 1125(a); and common law trademark infringement and unfair competition.

Silstar asserts in defense that its use of the clear tip is a fair use and that Shakespeare is precluded from enforcing any rights under the registered trademark based on the doctrine of unclean hands. Silstar has also filed a counterclaim seeking damages and cancellation of Shakespeare's mark, in which it contends that Shakespeare's mark is invalid because the clear tip is both a functional feature and generic of the type of fishing rods at issue, and because the clear tip mark simply consists of two contrasting colors. Silstar further contends that Shakespeare, by allowing third-party manufacturers to sell customized rods on its clear-tipped rod blanks, has not only misrepresented the source of some clear-tipped rods, but has also destroyed any secondary meaning which the mark may have had.

By Order dated October 5, 1990, then District Judge (now Circuit Judge) Clyde H. Hamilton, to whom this case had been assigned, granted Shakespeare's motion for a preliminary injunction, finding that Shakespeare was likely to succeed on its trademark infringement claim. Judge Hamilton enjoined Silstar from "distributing, marketing, advertising, promoting, holding for sale, or selling" either the Silstar Power Tip Crystal rod or any rod bearing or using any colorable imitation or confusingly similar facsimile of Shakespeare's clear-tip rod trademark during the pendency of this action. Judge Hamilton also required Shakespeare to post bond in the amount of $25,000 as security for the payment of costs and damages that Silstar may incur or suffer in the extent that the injunction is later determined to have been erroneously issued. *See Fed.R.Civ.P.* 65(c).

The Court tried this case without a jury on March 19-20, 1992. After thoroughly reviewing the record and carefully considering the controlling legal principles, the

Court concludes that Silstar's use of the clear tip is a fair use and, therefore, Silstar is entitled to prevail on Shakespeare's claims. The Court further concludes that the clear tip is a functional feature of the fishing rods involved in this case. In light of this latter conclusion, the Court will order the Commissioner of the Patent and Trademark Office ("PTO") to cancel Shakespeare's trademark.

I. FINDINGS OF FACT

Based on the evidence presented at trial,[1] the Court makes the following findings of fact[2] pursuant to Rule 52(a) of the Federal Rules of Civil Procedure:

1. Shakespeare is a Delaware corporaton with its principal place of business in Columbia, South Carolina. Shakespeare manufactures, distributes and sells fishing tackle equipment, including fishing rods.

2. Since 1976, Shakespeare, as part of its Ugly Stik line of rods, has manufactured, advertised, distributed, and sold rods with a whitish-translucent, or clear, tip and an opaque base. Shakespeare is the owner of United States Trademark Registration number 1,261,786, which is registered on the Principal Register. Shakespeare's trademark provides in pertinent part:

> [Shakespeare] claims no proprietary right in the configuration of the fishing rod itself as a trademark

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[1] Shakespeare presented five witnesses, either in person or by way of deposition, and introduced 96 exhibits into evidence. Silstar presented four witnesses and introduced 41 exhibits into evidence. Several of the exhibits consist of multiple articles or documents. The majority of the exhibits were introduced without objection and many of the facts purportedly shown in the exhibits were stipulated to be undisputed.

[2] To the extent that any of the following findings of fact more properly constitutes a conclusion of law, it shall be deemed as such. Likewise, to the extent that any conclusion of law more properly constitutes a finding of fact, it shall be so deemed.

when it lacks whitish, translucent tip portion feature. The mark is used by applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft.

This trademark is the subject of this lawsuit.

3. Shakespeare has sold millions of Ugly Stik rods, making the Ugly Stik its biggest selling and most profitable line of rods. Shakespeare sells Ugly Stiks for freshwater and saltwater use, with freshwater rods comprising approximately 85-90% of Shakespeare's annual sales. The large majority of freshwater Ugly Stiks have clear tip, while most saltwater Ugly Stiks do not. Approximately 80-90% of all Ugly Stiks have clear tips. The length of the clear tip on these rods varies depending on the type of action for which the rod is designed. In many instances, the clear tip extends above or below the second line guide.

4. Silstar is a South Carolina corporation with its principal place of business in Lexington, South Carolina. Silstar is owned by Silver Star, a Korean corporation that manufactures fishing rods. Silstar sells rods manufactured by Silver Star in competition with Shakespeare.

5. Until the late 1940s, fishing rods were made primarily of steel or bamboo; however, during that period, fiberglass rods were introduced into the market. For many years thereafter, fiberglass was the primary material from which fishing rods were made. Fiberglass rods consisted of two types: solid and hollow. The advantage of solid fiberglass rods was their strength. The disadvantage was their expense and weight. Hollow fiberglass rods were less expensive and lighter than solid fiberglass rods, but they were also less durable since they tended to break more easily, especially at the tip, which is the most vulnerable

part of the rod. The fiberglass rods were predominantly white in color.

6. Shakespeare was one of the first companies that developed a process for making a hollow fiberglass rod with a solid fiberglass tip. This process is called the "Howald process" [a] and involves essentially two steps: first, a fiberglass cloth is wrapped around a steel mandrel to form the hollow core of the rod; and second, longitudinal fiberglass fibers are placed along the length of the rod and extended beyond the hollow core, thereby forming a solid fiberglass tip.

7. The Howald process produced a white, hollow fiberglass tube with a white, solid fiberglass tip. The Howald process rods had solid fiberglass tips very similar to the Ugly Stik, except for the color, and were a vast improvement over entirely hollow fiberglass rods; however, they still suffered from being weaker than solid fiberglass rods.

8. The Howald process was the subject of various patents. Because of the protection afforded by these patents, which have now expired, Shakespeare was for many years one of the only manufacturers to offer hollow rods with solid fiberglass tips.

9. The Ugly Stik rods which bear Shakespeare's trademark are made of a hollow graphite tube and a solid fiberglass tip. The process of making this type of rod was developed by Monroe Lindler, a former engineer for Shakespeare, and is the subject of the Lindler U.S. Patent No. 4,061,806, which was issued on December 6, 1977. Lindler's development of the process for manufacturing Ugly Stik rods is the result of his adaptation of the Howald process.

10. At the time that Lindler developed his process, graphite was expensive; however, Lindler experimented

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[a] Shakespeare actually uses the term "Howald process" to refer to separate processes developed by Arthur Howald and Arthur Scott.

with it because of its extreme strength and lightness. After unsuccessfully trying several different graphite combinations, Lindler used graphite in the Howald process and the result was a rod which was significantly stronger than Shakespeare's rods at that time. The use of graphite substantially improves the strength of the rods compared to fiberglass rods, while still maintaining the light weight which is desirable to fishermen.

11. Prior to the development of the Ugly Stik, neither Shakespeare nor any other rod distributor manufactured or sold rods with a clear fiberglass tip.

12. Shakespeare sold the Ugly Stik with the natural appearance which resulted from the manufacturing process for approximately one year. The graphite base was charcoal gray, which is the natural color of graphite and the tip was whitish-translucent, or clear, which is the natural color of the fiberglass and resin combination used by Lindler.

13. The natural color of resin, which is the liquid component which subsequently becomes solid and holds the rod together, depends on the type of curing agents and chemicals used; it is not necessarily clear.

14. In manufacturing rods, there are only two types of fiberglass which may be used: polyester resin compatible fiberglass or epoxy resin compatible fiberglass. Prior to the Ugly Stik, Shakespeare used polyester resin compatible fiberglass, the natural unpigmented color of which is a whitish-frosty (not clear) color. For the Ugly Stik, Shakespeare used epoxy resin compatible fiberglass because this is the best fiberglass and resin for use with graphite in the manufacturing process. Shakespeare did not add or subtract any pigment to the resin and did not intentionally design the process to create a clear tip.

15. The index of light refraction through the specific resin and fiberglass fiber used by Shakespeare for the Ugly Stik causes the tip to be clear. The clear tip is the

natural appearance of the combination of fiberglass and the resin most suited for use on the rod.

16. After manufacturing and selling the Ugly Stik for one year, Shakespeare's sales department objected to the appearance of the unpigmented rods because it was not absolutely uniform. Instead, some rods had frosty streaks on the base which could not be controlled in the manufacturing process. In an effort to increase the aesthetics of the Ugly Stik, Shakespeare added a resin bath in the manufacturing process to pigment the fibers used for the rod base. However, Shakespeare did not pigment the tip.

17. Shakespeare recognized from the first Ugly Stik that it was stronger than other hollow rods because it has graphite instead of fiberglass in the first layer of material. Shakespeare felt that the Ugly Stik was superior to other rods because it was light yet resisted breaking at the tip.

18. Because the Ugly Stik rods with the clear resin were strong and had a distinctive appearance compared to other rods, Shakespeare deliberately chose to market the rods with that appearance so that consumers could see and identify the unique appearance of the rod and recognize the enhanced features of the graphite base and the solid fiberglass tip. The appearance of the enhanced features derived from the natural colors of the materials used.

19. The color of a rod or tip has no bearing on how a rod performs. However, there is clearly an advantage in communicating to consumers the fact that a rod is made of graphite with a solid fiberglass tip, and the best method of communicating this fact is by marketing the rod with the clear tip and opaque base. Coloring the rod or the tip obscures the fact that the rod is made out of graphite and has a solid fiberglass tip.

20. It is cheaper to produce rods with clear tips than to produce rods with colored tips.

21. Shakespeare first sought to register as a trademark the clear tip color configuration for its rods with the PTO on May 5, 1978, when it filed an application for trademark registration.

22. On January 19, 1979, the PTO refused Shakespeare's request for registration on the Principal Register stating that the mark "appears to be in the nature of an ornamental design and, as such, does not serve the purpose of indicating origin of the goods in [Shakespeare]." The PTO indicated that if Shakespeare "contends that its design does function as a mark, this application will be further considered upon receipt of evidence showing that the design has been promoted as a trademark and that it is recognized as an indication of the origin of applicant's goods."

23. On June 5, 1979, Shakespeare responded to the PTO by submitting evidence that the color configuration had been promoted as a trademark in numerous publications. Shakespeare also submitted the affidavits of seven buyers and owners of sporting goods stores in which the affiants stated essentially that they were familiar with various brands and types of fishing rods and that they felt the clear tip of Shakespeare's rods were distinctive and made the rods easily and "automatically" identifiable as those of Shakespeare.

24. The PTO responded on April 9, 1980, by informing Shakespeare that the mark was capable of registration under Section 2(f) of the Lanham Act (15 U.S.C. § 1052(f)). The PTO requested that Shakespeare seek registration under this section and instructed Shakespeare to "state that its mark has become distinctive as supported by a separate showing."

25. Shakespeare amended its application on May 15, 1980, in accordance with the PTO's instruction.

26. On June 17, 1980, the PTO placed Shakespeare's mark on the Supplemental Register and designated it

Registration Number 1,137,112. Thereafter, on August 15, 1981, the PTO advised Shakespeare that its claim of distinctiveness was "substantively acceptable" and instructed Shakespeare to have a corporate officer verify the claim.

27. In reply, Shakespeare, on September 15, 1981, submitted the affidavit of Bert Rost, then Vice President of Shakespeare, in which he stated that he believed Shakespeare to be the owner of the mark it sought to register, that to his knowledge no one else had the right to use the mark in identical form or in a form likely to cause confusion or deceive, and that "the mark [had] become distinctive of [Shakespeare's] goods, as evidenced by the showing submitted separately during prosecution of the subject Application."

28. On December 22, 1981, the PTO issued notice of publication of Shakespeare's requested mark in the Official Gazette, and on December 20, 1983, the PTO granted Shakespeare's application and placed its mark on the Principal Register.

29. Shakespeake's trademark became incontestable under the provisions of 15 U.S.C. § 1065 on November 13, 1989.

30. In 1988, Shakespeare filed suit against Silstar in this district alleging causes of action similar to those alleged in the present lawsuit in response to Silstar's display of the 'Silstar Power Tip" rod, a rod with a clear tip and an opaque base, at the 1988 annual trade show of the American Fishing Tackle Manufacturers Association ("AFTMA"). *See Shakespeare Co. v. Silstar Corp. of Am.*, C.A. No. 3:88-1995-15. Shakespeare later voluntarily dismissed that lawsuit after Silstar agreed to change the clear tip on the Power Tip rod to a painted red-translucent tip. Silstar continues to sell the Power Tip rod with a red-translucent tip. Silstar reserved its right, however, to attempt to sell rods with clear tips in the future.

31. This action arose after Shakespeare became aware that Silstar had advertised and offered for sale a line of 12 fishing rods known as the Silstar Power Tip Crystal rods in the July 1990 issue of *Fishing Tackle Retailer*. The Power Tip Crystal rods which were advertised by Silstar have a color configuration for the rod tip and base similar to Shakespeare's mark.

32. Other than the similarity between the color configurations of the rod base and tip, the Power Tip Crystal and Ugly Stik rods differ significantly in appearance. For example, Shakespeare uses silver colored line guides, a silver colored extreme tip portion, and red and yellow diamond wrap at the base of the rod above the handle. In contrast, Silstar uses gold colored line guides, a gold colored extreme tip portion, and no wrap at the base of the rod. Moreover, the handles differ significantly in shape (cylindrical vs. tapered) and the reel sets differ in color (black vs. gold). Finally, Shakespeare places its Ugly Stik logo in prominent white letters on its rods, while Silstar's lower tip Crystal logo appears in gold letters with a red background.

33. There is more than one method of manufacturing a graphite-fiberglass composite fishing rod with a clear tip. In fact, Silver Star manufacturers the Power Tip Crystal rods for Silstar using a manufacturing method that differs from the Lindler method. The Lindler method has a cutting mechanism that allows the longitudinal fiberglass fibers to be cut at different intervals so that the number of fibers may differ on the base and the tip of the rod. In contrast, the Silver Star method does not have any cutting mechanism; therefore, the number of fibers is consistent on the entire rod. Given this fact, Silver Star cannot produce a rod which has different colored fibers on the base and the tip.

34. Silstar was aware of Shakespeare's trademark rights when it introduced the Power Tip Crystal rod and it recognized that Shakespeare might have considered the

Power Tip Crystal to be an infringement of the registered mark.

35. Silstar desires to use the clear tip on the Power Tip Crystal rods in order that consumers can see and understand the qualities the rod possesses. Silstar does not seek to use the clear tip as a source of origin of the rods.

36. Shakespeare has devoted the large majority of its advertising budget since 1976 to the Ugly Stik, advertising the rods on nationally televised programs such as "ABC's Wide World of Sports," "American Sportsman," "Fishing With Roland Martin," "Al Lindler's Fishing Specials," and "Outdoor Life;" and in nationally and regionally circulated publications such as *Field & Stream, Popular Mechanics,* and *Sports Afield.* Shakespeare has also distributed annually approximately 100,000-250,000 catalogues per year consisting of trade catalogues, which are distributed by sales representatives at trade shows, and consumer catalogues, which are distributed to consumers in stores and at various shows.

37. While the nature of these advertisements varies, Shakespeare has repeatedly advertised and promoted the fact that the clear fiberglass tip is unique, is the result of an exclusive patented process, and imparts strength, flexibility, and sensitivity to the rod which cannot be achieved through any other process.

38. Several former Shakespeare employees are now employed by Silstar. For example, Mr. Rost, the General Manager of Silstar Germany, is the former President of Shakespeare. Mark Skrocki, Silstar's Director of Sales and Marketing, is a former Advertising Manager for Shakespeare. Other former Shakespeare employees who now work for Silstar include Joe Bart, a former Shakespeare Vice President who is now involved with Silstar's operations in Holland; Jimmy Cato, a former Shakespeare employee who is now President of Silstar; Mike Bell, who is now Silstar's Director of Promotions Planning and

Development; Chris Kopacz, who is an Accounts Payable Manager for Silstar; and Calvin Lucas, who is a Shipping Clerk for Silstar.

39. At the time that Mr. Rost was employed by Shakespeare, he approved the sale of manufacturing equipment used by Shakespeare in its Hong Kong plant to Silver Star. Although Silver Star could not manufacture the Power Tip Crystal rod with this machinery, it did get the technology to do so from these machines.

II. CONCLUSIONS OF LAW

In light of the foregoing findings of fact, the Court makes the following conclusions of law pursuant to *Fed. R.Civ.P.* 52(a):

1. The Court has jurisdiction over this action pursuant to 28 U.S.C. § 1338(a) and (b), 15 U.S.C. § 1121, and pendent jurisdiction. Venue is properly laid in this division under 28 U.S.C. § 1391.

2. "[T]he findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits." *University of Tex. v. Camenisch,* 451 U.S. 390, 395, 101 S.Ct. 1830, 1834, 68 L.Ed2d 175 (1981).

3. Shakespeare's first, and primary, cause of action is for trademark infringement under 15 U.S.C. § 1114(1), which provides in pertinent part:

> Any person who shall, without the consent of the registrant—
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

In order to prevail on a claim under this section, Shakespeare must establish: (1) the trademark is valid and legally protectable, (2) it owns the trademark, and (3) Silstar's use of the trademark is likely to create confusion concerning the origin of the goods that the marks purport to identify. *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.2d 277, 291 (3d Cir.), *cert. denied sub nom. Altran Corp. v. Ford Motor Co.*, —— U.S. ——, 112 S.Ct. 373, 116 L.Ed.2d 324 (1991).

4. Shakespeare's mark is registered on the Principal Register. Under 15 U.S.C. § 115(a), the registration of a mark registered on the principal register

> [S]hall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in [15 U.S.C. § 1115(b)], which might have been asserted if such mark had not been registered.

The registration creates a presumption of validity of the mark and of the owner's exclusive right to its use, *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522, 1529 (4th Cir. 1984); and the plaintiff in an infringement case, by introducing the registration, is presumed to have established the first two elements of its case. *See Brittingham v. Jenkins*, 914 F.2d 447, 453 (4th Cir.1990). The burden of proof is then shifted from the plaintiff, who in a common law infringement action would have had to establish his right to exclusive use, to the defendant, who may rebut the presumption by a preponderance of the evidence. *Pizzeria Uno Corp.*, 747 F.2d at 1529 & n. 4.

5. The presumption which registration gives a mark does not preclude one charged with infringement from collaterally attacking the registration by way of affirmative defense or counterclaim seeking cancellation if the mark has not become incontestable. *Pizzeria Uno Corp.*, 747 F.2d at 1529.

6. If the owner of a registered mark uses the mark continuously for five consecutive years and satisfies certain other formalities, then its right to use the mark is deemed incontestable. 15 U.S.C. § 1065. Incontestability is one of the most significant advantages of registration because once a mark becomes incontestable, "the registration [is] conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce" subject to certain defenses specified in the Lanham Act. 15 U.S.C. § 1115(b).[4] Proof of uncontestability, subject to the Lanham Act defenses, is conclusive proof of the first two elements of a claim for trademark infringement. *Ford Motor Co.*, 930 F.2d at 291.

7. Shakespeare's mark is incontestable subject to the Lanham Act defenses and, unless Silstar can establish one of these defenses, Shakespeare has conclusively established the validity of the mark and its right to use the mark.

8. Silstar seeks to destroy the incontestable status of Shakespeare's mark by asserting that its use of the clear tip on the Power Tip Crystal rod is a fair use of a descriptive device. Fair use is a defense to trademark infringement even where, as here, the trademark has become

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[4] As Justice Stevens noted in his dissent in *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 206 & n. 1, 105 S.Ct. 658, 667 & n. 1, 83 L.Ed.2d 582 (1985), the term "incontestable" is "somewhat confusing and misleading" because there are over 20 situations in which infringement of an incontestable mark is permitted under the Lanham Act.

otherwise incontestable. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 12 (2d Cir. 1976).

9. The "fair use" defense allows one charged with infringement to prove

> That the use of the name, term, or device charged to be an infringement is a use, otherwise as a mark, . . . of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party. . . .

15 U.S.C. § 1115(b)(4). The analytical focus of the defense is on how the party charged with infringement uses the mark. *Ideal Indus., Inc. v. Gardner Bender, Inc.* 612 F.2d 1018, 1027 (7th Cir.1979), *cert. denied*, 447 U.S. 924, 100 S.Ct. 3016, 65 L.Ed.2d 1116 (1980).

10. The fair use defense "in essence, forbids a trademark registrant to appropriate a descriptive [device] for his exclusive use and so prevent others from accurately describing a characteristic of their goods." *Soweco, Inc. v. Shell Oil Co.*, 617 F.2d 1178, 1185 (5th Cir.1980), *cert. denied*, 450 U.S. 981, 101 S.Ct. 1516, 67 L.Ed.2d 816 (1981). It is based on the recognition that "[d]escriptive devices are unsuited to the function of marks both because they are poor means of distinguishing one source of [goods] from another and because they are often necessary to the description of all goods . . . of a similar nature." *M.B.H. Enters., Inc. v. WOKY, Inc.*, 633 F.2d 50, 54 (7th Cir. 1980). "When a plaintiff has chosen a mark with some descriptive qualities, he cannot altogether exclude some kinds of competing uses even when the mark is properly on the register. . . ." *Abercrombie & Fitch Co.*, 537 F.2d at 12.

11. To prevail on its fair use defense Silstar must prove that (1) the clear tip is a descriptive device, (2) its use of the clear tip is not as a trademark but is merely descriptive, and (3) it is using the clear tip fairly and in good

faith. *Dayton Progress Corp. v. Lane Punch Corp.*, 917 F.2d 836, 840 (4th Cir.1990).

12. As a preliminary matter, the Court must determine whether the fair use defense is applicable to a mark such as Shakespeare's which consists of a color configuration. In granting the preliminary injunction, Judge Hamilton noted that the fair use defense "applies most easily to word trademarks" and questioned whether the defense has any applicability to this case, since Shakespeare's mark is not a word mark. *See* Oct. 15, 1990, Order, at 13-14. Silstar argues that the fair use defense is applicable because the statute does not limit the defense to word marks but, instead, expressly allows for the fair use of a "name, term, or device." Because 15 U.S.C. § 1115(b)(4) does provide for the fair use of a descriptive device, the Court must determine whether Shakespeare's mark (the color configuration) is a device.

13. The Lanham Act defines the term "trademark" as including "any word, name, symbol, or device, or any combination thereof . . . used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127. Although "color" is not included in the definition of "trademark," it is clear that a color configuration, such as Shakespeare's mark, can serve as a valid trademark. *Transportation, Inc. v. Mayflower Servs., Inc.*, 769 F.2d 952, 955 (4th Cir.1985). While the term "device" is not defined in the Lanham Act it is generally defined in relevant context as being "[a] decorative design, figure, or pattern," *The American Heritage Dictionary*, p. 389 (2d ed. 1991); or a "distinguishing mark or sign of any kind," *Black's Law Dictionary*, p. 452 (6th ed. 1990). In light of this, it is apparent that a color configuration constitutes a "device" for purposes of the Lanham Act. *Cf.* W.J. Keating, *Development Of Evidence*

To Support Color-Based Trademarks, 9 J.L. & Com. 1, 8 (1989) ("arguably color could qualify as . . . a 'device' " under the Lanham Act). Accordingly, Silstar may assert the fair use defense against Shakespeare's claim of infringement.

14. The fair use defense is applicable only in actions involving a descriptive mark. *Zatarains v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 791 (5th Cir.1983). A mark is descriptive if it " 'imparts information directly' " or " 'identifies a characteristic or quality of an article.' " *Pizzeria Uno Corp.*, 747 F.2d at 1528 (citations omitted). Shakespeare's mark is unquestionably descriptive since the clear tip, in combination with the opaque rod base, signifies to consumers that the rod is composed of a graphite base with a solid fiberglass tip, both of which are features that are positive characteristics of fishing rods.[5] That is precisely the reason that Shakespeare chose the mark in the first place.

15. In addition, the fair use defense is applicable only if Silstar is using the mark in its descriptive sense rather than as a trademark. *Zatarains*, 698 F.2d at 791. While

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[5] "[A] mark which is merely descriptive is considered to be weak and cannot be accorded trademark protection without proof of secondary meaning. . . .' " *Pizzeria Uno Corp.*, 747 F.2d at 1527 (citation omitted). "Secondary meaning is used generally to indicate that a mark . . . 'has come through use to be uniquely associated with a specific source.' " *Two Pesos, Inc. v. Taco Cabana, Inc.* [—— U.S. ——, —— n. 4], 112 S.Ct. 2753, 2756 n. 4 [120 L.Ed.2d 615], (1992) (citation omitted). The Court notes that the PTO registered Shakespeare's trademark under 15 U.S.C. § 1052(f) only after Shakespeare demonstrated that the clear tip had acquired distinctiveness. This leads to a presumption that the mark has secondary meaning. *Boden Prods., Inc. v. Doric Foods Corp.*, 552 F.Supp. 493, 498 (N.D.Ill.1982). However, even though Shakespeare's mark has presumptively acquired secondary meaning, the fair use defense may be asserted since Shakespeare has no legal claim to an exclusive right in the primary, descriptive meaning of the mark. *Zatarains*, 698 F.2d at 791.

the clear tip is the predominant feature of the Ugly Stik and Power Tip Crystal rods, this fact does not defeat the fair use defense since emphasis of a descriptive mark does not show that the mark is being used as a trademark. *Eli Lilly & Co. v. Revlon, Inc.*, 577 F.Supp. 477, 486 (S.D. N.Y.1983). It is evident that Silstar does not seek to use the clear tip on the Power Tip Crystal rod in a trademark sense, that is "to identify and distinguish" the Power Tip Crystal rod from those manufactured or sold by others or "to indicate the source" of the Power Tip Crystal. 15 U.S.C. § 1127. Instead, whatever attention is drawn to the clear tip on the Power Tip Crystal rod serves merely to inform a prospective purchaser of the components and attributes of the rod. As one court has observed, "[v]irtually every aspect of a product's trade dress is intended to catch the eye of the purchaser. Unless attention is drawn to the particular [mark] as being indicative of source or origin of that product, the [mark] is not being used as a trademark." *Schmid Labs. v. Youngs Drug Prods. Corp.*, 482 F.Supp. 14, 20-21 (D.N.J.1979).

16. Finally, the fair use defense is applicable only if Silstar is using the mark fairly and in good faith. Silstar seeks to use the clear tip only in its descriptive sense and the evidence establishes that the clear tip is without question the most effective means to market the rods in this descriptive sense. There is no indication that Silstar's attempt to utilize the clear tip is unfair or in bad faith.[6]

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[6] Shakespeare seeks to establish Silstar's alleged bad faith by asserting that Silstar employs several former Shakespeare employees, Silstar's rods are produced with machinery sold to Silver Star by Mr. Rost while he worked for Shakespeare, and Silstar was aware of Shakespeare's mark when it placed the mark on the Power Tip Crystal rod. While each of these facts are supported by the record, they do not support the inference of bad faith which Shakespeare advances.

17. Because Silstar has proven its fair use defense, it is entitled to prevail on Shakespeare's federal trademark infringement claim and it may use the mark on its rods.[7]

18. As noted, Silstar not only seeks the right to use the mark, it also seeks to cancel Shakespeare's registration. While the fair use defense does not invalidate Shakespeare's mark but, instead, simply grants Silstar the right to use the mark fairly and in good faith on its rods, the defense does reduce the evidentiary status of the registration to *prima facie* rather than conclusive evidence of Shakespeare's right to exclusive use of the mark. *Park 'N Fly, Inc.*, 469 U.S. at 199 n.6, 105 S.Ct. at 664 n.6. In other words, because Silstar has proven its fair use defense, the registration now has the same evidentiary value that it had during the five-year period of continuous use preceding the point in time in which it became incontestable. F.T. Mahaney, *Incontestability: The Park 'N Fly Decision*, 33 U.C.L.A. L.Rev. 1149, 1168 (1986); *see Louis Rich, Inc. v. Horace W. Longacre, Inc.*, 423 F.Supp. 1327, 1339 (E.D.Pa.1976) ("the effect of § 1115(b) is simply to remove the statutorily created 'conclusive evidence' feature of the registration of an incontestable mark, relegating the owner of the mark to the normal burden of proving the validity of its mark and its right to the exclusive use of it").

19. Because the fair use defense has destroyed the incontestable status of the registration, Silstar may now assert any legal or equitable defense or defect which it might have asserted against the mark had the mark not been registered. 15 U.S.C. § 1115(a). In seeking to cancel the registration, Silstar contends that the mark is

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[7] The fair use defense is applicable even where a plaintiff can establish likelihood of confusion since "[t]o hold otherwise would effectively viscerate the fair-use defense." *Soweco, Inc.*, 617 F.2d at 1189 n. 30. Accordingly, the Court need not reach the issue of whether the clear tip on the Power Tip Crystal will create a likelihood of confusion.

merely a functional feature of graphite based fishing rods with solid fiberglass tips and, accordingly, is not entitled to trademark registration. The Court agrees.[8]

20. "Trademark law does not protect the functional features of products because such protection would provide a perpetual monopoly of features which could not be patented." *Esercizio v. Roberts*, 944 F.2d 1235, 1246 (6th Cir.1991), *cert. denied sub nom., Roberts v. Ferrari S.P.A. Esercizio Fabriche Automobili Corse*, —— U.S. ——, 112 S.Ct. 3028, 120 L.Ed.2d 899 (1992). The "key policy served by barring the use of functional features for identification is the policy favoring competition, and . . . the 'functionality' inquiry must be addressed in light of this policy." *United States Golf Ass'n v. St. Andrews Sys., Data-Max, Inc.*, 749 F.2d 1028, 1033 (3d Cir.1984). Hence, a mark which is merely a functional feature of a good is not entitled to registration or protection under the Lanham Act, *International Order of Job's Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1091 (Fed.Cir.1984); and "functional features which are not the subject of a valid patent or copyright may be imitated with impunity." *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980).

21. Silstar bears the burden of proving functionality. *Brunswick Corp. v. Spinit Reel Co.*, 832 F.2d 513, 520 (10th Cir.1987).

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[8] Functionality, which is not listed as a defense to an incontestable mark under 15 U.S.C. § 1115(b), is applicable only because Silstar has proven its fair use defense under 15 U.S.C. § 1115(b)(4). *See Park 'N Fly*, 469 U.S. at 193-205, 105 S.Ct. at 661-67 (the Supreme Court recognized that the Lanham Act limits "the power of the courts to cancel registrations and 'to otherwise rectify the register' . . . to the specific provisions concerning incontestability," and held that a "holder of a registered mark may rely on incontestability to enjoin infringement and that such an action may not be defended on . . . grounds" not provided for in the Lanham Act).

22. While the functionality of a product feature "cannot be determined by application of a mechanical test," *United States Golf Ass'n*, 749 F.2d at 1033; a product feature is generally considered functional "if it is essential to the use or purpose of the article or if it affects the cost or quality of the article," *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n. 10, 102 S.Ct. 2182, 2187 n. 10, 72 L.Ed.2d 606 (1982); or "if 'it something that other producers of the product in question would have to have as part of the product in order to be able to compete effectively in the market.'" *Abbott Labs. v. Mead Johnson & Co.*, 971 F.2d 6, 20 (7th Cir.1992) (citation omitted).

23. The availability of alternative designs is a key factor in determining functionality. *Hartford House, Ltd. v. Hallmark Cards, Inc.*, 846 F.2d 1268, 1273 (10th Cir.), *cert. denied*, 488 U.S. 908, 109 S.Ct. 260, 102 L.Ed.2d 248 (1988). A design is functional "if it is one of only a limited number of efficient options available to competitors." *Sunbeam Corp. v. Equity Indus. Corp.*, 635 F.Supp. 625, 636 (E.D.Va.1986).

24. Functionality is not limited to product features which are essential to the operation of the product. *Brunswick Corp.*, 832 F.2d at 519. Thus, the color of a product may be functional. *See, e.g., Warner Lambert Co. v. McCrory's Corp.*, 718 F.Supp. 389, 396 (D.N.J. 1989); *cf. Coca-Cola Co. v. Dixi-Cola Labs., Inc.*, 155 F.2d 59, 65 (4th Cir. 1946) ("The color of the drink . . . is functional").

25. In this case, there is no alternative design to Shakespeare's mark which would be as effective in communicating to consumers the fact that the rod is made of a graphite base and a solid fiberglass tip since the clear tip and the opaque base represent the natural colors of the graphite and fiberglass resin which compose the rod. To allow Shakespeare to have a perpetual monopoly on the

color configuration would unquestionably hinder competition since it would preclude all competitors from using the natural and most effective means of marketing their products, and would require them to use a less effective and more costly method.[9] This hindrance to competition would ultimately result in a detriment to consumers. Accordingly, Shakespeare's mark is a functional feature of graphite fishing rods which have a solid fiberglass tip.[10]

26. In any action involving a registered mark,

> [T]he court may determine the right to registration, order the cancellation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

15 U.S.C. § 1119.

27. The legal issue in a cancellation proceeding is the right to register a mark and when a mark is not incontestable, a court may cancel the mark on any ground which

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[9] This case is very similar to another case involving Shakespeare. In *In re Shakespeare Co.*, 289 F.2d 506 (C.C.P.A.1961), the Court of Customs and Patent Appeals held that certain markings on Shakespeare's "Wonderod" which necessarily resulted from the Howald process were not registrable as a trademark notwithstanding the fact that the markings had acquired secondary meaning. The court stated: "[w]ere the spiral marking to be treated as a trademark the holder of the trademark rights would have a potentially perpetual monopoly which would enable it either to prevent others from using the process which results in the mark or force them to go to the trouble and expense of removing it." 289 F.2d at 508.

[10] Because the fair use defense has destroyed the incontestable status of Shakespeare's mark, functionality is also a defense to Shakespeare's Lanham Act infringement claim.

would have prevented registration initially. *International Order of Job's Daughters,* 727 F.2d at 1091.

28. As noted, a mark "which does not fulfill the functions of a trademark, but, rather, serves essentially a utilitarian or functional purpose cannot be registered as a trademark." *Id.; see Goodyear Tire & Rubber Co. v. Robertson,* 25 F.2d 833, 834-35 (4th Cir. 1928) (holding that diamond-shaped tread on tire, "which is a mechanically functional feature of an automobile tire," cannot be registered).

29. Because Shakespeare's mark is a functional feature of graphite rods with solid fiberglass tips, the mark is not the subject of a registrable trademark. Accordingly, the Court shall order the Commissioner of the PTO to cancel the mark from the register.

30. Shakespeare's second cause of action is for unfair competition under 15 U.S.C. § 1125(a) which provides in pertinent part:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—
>
> (1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person
>
> * * * *
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Because Shakespeare's claim for unfair competition hinges on Silstar's alleged trademark infringement, this claim must fail based on the Court's conclusions concerning functionality and fair use. *See Two Pesos, Inc.*, —— U.S. at ——, 112 S.Ct. at 2758 ("It is . . . clear that eligibility for protection under [15 U.S.C. § 1125] depends on nonfunctionality"); *Robert B. Vance & Assocs. v. Baronet Corp.*, 487 F.Supp. 790, 797 (N.D.Ga.1979) (" 'fair use' defense defeats a claim not only for trademark infringement, but also precludes a recovery under 15 U.S.C. § 1125(a) for federal unfair competition"). Accordingly, Shakespeare is not entitled to prevail on this claim.

31. Shakespeare's final cause of action is for common law trademark infringement and unfair competition. The elements of trademark infringement and unfair competition under South Carolina common law are identical to the elements for those claims under the Lanham Act. *See Pizzeria Uno Corp. v. Temple*, 566 F.Supp. 385, 399 (D.S.C. 1983), *aff'd*, 747 F.2d 1522 (4th Cir. 1984); *Taylor v. Hoppin' Johns, Inc.*, 304 S.C. 471, 405 S.E.2d 410, 413 (1991). Accordingly, the Court concludes that Shakespeare has failed to establish its cause of action for common law trademark infringement and unfair competition.

III. ORDER

Based on the foregoing, the Court hereby ORDERS that the preliminary injunction issued on October 5, 1990, be DISSOLVED and that judgment be ENTERED in favor of Silstar on all causes of action.[11] The Court further ORDERS the Commissioner of the Patent and Trademark Office to CANCEL United States Trademark Registration number 1,261,786 from the Principal Register based on grounds of functionality. The Clerk of Court is DIRECTED to certify a copy of this Opinion and Order

[11] In view of the Court's holding concerning the fair use and functionality defenses, it is unnecessary for the Court to reach the other issues raised by the parties.

to the Commissioner. The Court will retain limited jurisdiction of this matter for the disposition of Shakespeare's bond.

IT IS SO ORDERED.

APPENDIX E

[Filed Oct. 5, 1990]

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
COLUMBIA DIVISION

C/A No. 3:90-1695-15

SHAKESPEARE COMPANY,
Plaintiff,

vs.

SILSTAR CORPORATION OF AMERICA,
Defendant.

ORDER

I. *Introduction*

Plaintiff, Shakespeare Company ("Shakespeare"), filed a verified complaint on July 20, 1990 in which it alleges that defendant Silstar Corporation of America ("Silstar") has violated federal and state trademark and unfair competition laws by marketing a fishing rod similar to one manufactured by Shakespeare. The complaint alleges three causes of action: (1) Federal trademark infringement in violation of Section 32(1) of the Trademark Act of 1946, 15 U.S.C. § 1114(1); (2) Federal Unfair Competition in violation of Section 43(a) of the Trademark Act of 1946, 15 U.S.C. § 1125(a); and (3) State common law trademark infringement and unfair competition. Shakespeare also filed a motion for a temporary restraining order and a motion for a preliminary injunction on

July 20, 1990. By agreement of the parties, the hearing on this matter was delayed several weeks. The delay has effectively mooted this motion for a temporary restraining order, leaving the motion for a preliminary injunction to be heard by the court.

Silstar filed an answer and counterclaim on September 4, 1990. In addition, Silstar filed the following materials on September 27, 1990: (1) A motion for summary judgment on its counterclaim, which seeks a declaration that Shakespeare's trademark registration is invalid; (2) A memorandum serving the dual purpose of opposing the motion for a preliminary injunction and supporting the motion for summary judgment; (3) A package of exhibits, including documents and the rods themselves. Finally, at the eleventh hour, Silstar filed a supplemental memorandum raising several additional arguments.

In a Reply to the counterclaim filed September 24, 1990, Shakespeare states that the trademark has become incontestable. Shakespeare also filed an additional memorandum on September 27, 1990, anticipating the arguments Silstar would make in its material submitted in opposition to the motion for a preliminary injunction. Shakespeare argues again in that material that the trademark is incontestable and that Silstar's arguments do not fit within any of the statutory bases for challenging a trademark that has become incontestable.

A hearing was held on October 1, 1990, at which time the court heard arguments from both sides. Also on October 1, 1990, Silstar filed a supplemental memorandum in which it raised several additional arguments for the first time. After hearing Silstar's additional arguments on October 1, 1990, the court granted Shakespeare leave to file a third memorandum, addressing the new arguments that Silstar had raised. Shakespeare filed that memorandum on October 2, 1990.

II. *Facts*

Shakespeare is a widely-known manufacturer of fishing equipment, including a particular fishing rod distinctive for its contrasting color scheme. Shakespeare first produced this rod in 1976, and its application for trademark registration was granted on December 20, 1983. *See* Registration No. 1,261,786, attached as Exhibit A to Complaint. That registration states:

> Applicant claims no proprietary right in the configuration of the fishing rod itself as a trademark when it lacks the whitish, translucent tip portion feature. The mark is used in applying it to the goods in that the mark is the color configuration of the fishing rod as shown in the drawing in which the tip portion of the shaft between the tip and the second line guide elements consists of a whitish, translucent material in contrast to the opaque remainder of the shaft.

According to the affidavit of Timothy Fraylick, who is Shakespeare's Director of Marketing for the Fishing Tackle Division, Shakespeare sells approximately 400,000 fishing rods annually bearing the rod design trademark, including its "premier fishing rod." Trademark Registration No. 1,261,786 became incontestable on November 13, 1989 under the provisions of 15 U.S.C. § 1065.

Silstar has admitted advertising in the July 1990 issue of *Fishing Tackle Retailer* a rod called the "Power Tip Crystal," which Shakespeare argues is similar to its two-color rod design. Fraylick states in his affidavit that the Silstar Rod "appears to be indistinguishable from the Shakespeare Rods which employ the Trademark." Fraylick affidavit, para. 11.

III. *Law/Discussion*

A. *Preliminary Injunction Standard*

Under Fourth Circuit precedent, a district court faced with a motion for a preliminary injunction is to consider the "flexible interplay" of four factors:

> (1) the likelihood of irreparable harm to the plaintiff without the injunction;
>
> (2) the likelihood of harm to the defendant with the injunction;
>
> (3) the plaintiff's likelihood of success on the merits; and
>
> (4) the public interest.

Blackwelder Furniture Co. v. Seilig Manufacturing Co., 550 F.2d 189, 193-96 (4th Cir. 1977); *Merrill Lynch, Pierce, Fenner & Smith, Inc. v. Bradley*, 756 F.2d 1048, 1054 (4th Cir. 1985).

B. *Incontestability/Functionality*

Although the test to be applied in a trademark infringement action is the "likelihood of confusion," [1] Silstar's primary argument is an attack on the validity of the trademark rather than an argument based upon the likelihood of confusion. Silstar argued initially that the trademark is invalid because it describes a functional feature, and because it is simply a combination of two contrasting colors. Shakespeare's response is that these arguments cannot be considered by the court since they do not fall within the statutory exceptions that can be used to challenge an incontestable trademark. On October 1, 1990, Silstar added three additional bases for challenging the trademark: (1) Its sale of the rods in question constitutes a "fair use" under 15 U.S.C. § 1115(b)(4); (2) The configuration sought to be protected by the trade-

[1] *See* discussion, *infra* at pp. 17-20.

mark is "generic" under 15 U.S.C. § 1065(4); and (3) Shakespeare has misrepresented the source of some of its clear-tipped rods and is therefore precluded under 15 U.S.C. § 1115(b)(3) from claiming protection. These arguments require a review of the law on incontestability and the challenges that may be waged against an incontestable trademark.

Registration of a trademark confers upon the owner of the mark several benefits not available at common law. The Fourth Circuit has listed these benefits as follows:

> (1) constructive notice of the registrant's claim of ownership of the trademark;
>
> (2) prima facie evidence of the validity of the registration, of the registrant's ownership of the mark, and of exclusive right to use the mark in commerce as specified in the complaint;
>
> (3) the possibility that, after five years, registration will become incontestable and constitute conclusive evidence of the registrant's right to use the mark;
>
> (4) the right to request customs officials to bar the importation of goods bearing infringing trademarks;
>
> (5) the right to institute trademark actions in federal courts without regard to diversity of citizenship or the amount in controversy; and
>
> (6) treble damage actions against infringing trademarks and other remedies.

Georator Corp. v. United States, 485 F.2d 283, 285 (4th Cir. 1973), *cert. denied*, 417 U.S. 945 (1974).

One of the most important of these benefits is incontestability. Under the statute, a registrant's right to use a mark becomes incontestable after five years of continuous and unchallenged use if certain additional requirements are satisfied. Those additional requirements are as follows:

1) the mark is still being used in commerce;

2) the registrant has filed an affidavit with the Patent and Trademark Office within one year after the end of the five year period;

3) the mark has not become a generic name; and

4) there is no adverse decision or pending proceeding, either judicial or administrative, regarding the registrant's ownership claim.

15 U.S.C. § 1065. *See also Brittingham v. Jenkins*, No. 89-1560 and 89-1579 (4th Cir. September 11, 1990); 2 J. McCarthy, *Trademarks and Unfair Competition* § 32:43-32:45, pp. 754-764 (2d ed. 1984).

The statute also details the significance of "incontestable" status as:

> *conclusive evidence of the validity of the registered mark* and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed . . . subject to any conditions or limitations in the registration or in such affidavit or renewal application. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title. . . .

15 U.S.C. § 1115(b) (emphasis added).

15 U.S.C. § 1114 lists eight statutory defenses against an otherwise incontestable registration:

1) the mark was obtained fraudulently;

2) the mark was abandoned;

3) the mark was used with the permission of the registrant or his privy;

4) the alleged infringer used the mark in his own business because it was the name of that individual or his privy;

5) the alleged infringer adopted the mark prior to its registration, and has used it continuously without knowledge of the registrant's prior use and registration;

6) the alleged infringer used the mark pursuant to a prior, non-abandoned registration;

7) the mark violates the antitrust laws; and

8) equitable principles mandate that the mark's registration be cancelled.

15 U.S.C. § 1115(b) (as summarized by Fourth Circuit in *Brittingham v. Jenkins,* Nos. 89-1560 and 89-1579 (4th Cir. September 11, 1990)).[2]

The leading case on the effect of incontestability is *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 105 S. Ct. 658 (1983). In that case, the Supreme Court rejected an argument very similar to that of Silstar. In that case, plaintiff had brought an infringement action, and defendant had filed a counterclaim requesting cancellation of the mark on the grounds that the mark was "merely descriptive," and thus under the Lanham Act, "should never had been registered in the first place." 105 S. Ct. at 664. Plaintiff's mark was incontestable, however, and the Court held that this incontestable status precluded defendant from challenging the validity of the mark. The court held: 'Mere descriptiveness is not recog-

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[2] As Justice Stevens points out in his dissent in *Park 'N Fly v. Dollar Park and Fly, Inc.*, 105 S. Ct. 658 (1985), the Lanham Act actually allows over twenty different challenges to an incontestable mark. In addition to the eight exceptions in 15 U.S.C. § 1115(b), 15 U.S.C. § 1064 offers additional grounds for challenging an incontestable trademark, one of which Silstar has raised here.

nized by either § 15 or § 33(b)[3] as a basis for challenging an incontestable mark." 105 S. Ct. at 663. The court rejected the argument that the goals of the Lanham Act would be lost by interpreting "incontestability" as precluding a challenge to the validity of a trademark that arguably should never have been registered.[4] *Id.* at 664.

In its original memorandum, Silstar cited only one case for the proposition that incontestability does not foreclose its challenge. That case, *Schwinn Bicycle Co. v. Murray Ohio Manufacturing Co.*, 339 F. Supp. 973 (M.D. Tenn. 1971), *aff'd* 470 F.2d 975 (6th Cir. 1972), involved the "functional" challenge offered by Silstar in this case. In addition, the case recognized a distinction that several courts used until it was rejected by the Supreme Court in *Park 'N Fly*. There, the court held:

> Schwinn's alleged trademark has become incontestable under 15 U.S.C. § 1115(b). This provision was intended to protect a registrant from having its mark canceled by a prior user claiming superior rights. . . . However, incontestability may not be used to protect an inherently defective mark. . . . More importantly, the registrant may not rely on the incontestability provision as an "offensive" weapon in a trademark infringement action. . . . Thus it is clear that an inherently defective trademark, one not entitled to registration with the Office of Patents as being an invalid mark at common law, is not rendered valid by becoming incontestable under § 1115(b).

339 F. Supp at 982 (citations omitted).[5]

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[3] These sections correspond with 15 U.S.C. § 1064(3) and (5), and 15 U.S.C. § 1115(b).

[4] Justice Steven, dissenting, disagreed strongly with the majority on this point.

[5] In its supplemental memorandum filed on October 1, 1990, Silstar cited two additional cases purporting to stand for the proposi-

Obviously, this is no longer good law after the Supreme Court decision in *Park 'N Fly*. Although in *Park 'N Fly* the Court was dealing with a trademark that was arguably "merely descriptive" instead of arguably "functional," which is Silstar's main argument in this case,[6] there is no

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tion that functionality may be used to attack an incontestable trademark. From *Black and Decker v. Hoover*, 886 F.2d 1265 (Fed. Cir. 1989), Silstar has quoted one sentence out of context that describes functionality as "a complete defense to establishment of a trademark right." *Id.* at 1291. This case does not even involve the doctrine of incontestability, however.

Silstar also cites *Plasticolor Molded Products v. Ford Motor Co.*, 713 F. Supp. 1329 (C.D. Cal. 1989). Although this case involved an incontestable trademark and a discussion of the functionality doctrine, the case cannot be read as standing for the proposition that a challenge based on functionality is somehow not controlled by the *Park 'N Fly* decision. The *Plasticolor* court never considered the *Park 'N Fly* case or the fact that functionality is not a basis allowed by the statute as a challenge to an incontestable trademark. To the extent that Silstar reads the case as implicitly standing for that proposition, this court would simply point out that such a proposition is directly contrary to the Supreme Court's language in *Park 'N Fly*.

[6] Silstar argues that the contrasting color scheme of the Shakespeare rod is a functional device and hence not the subject of a valid trademark. The courts have held that "functional" features are not protectible under trademark law, asking whether a shape or feature has a utilitarian purpose. "If the feature gives the product more utility, or contributes to economy of manufacture, the features are 'functional' and are not capable of legal protection." 1 J. McCarthy, *Trademarks and Unfair Competition* § 7:26, p. 235 (2d ed. 1984). The policy behind this limitation is that the patent laws are available to a person seeking protection for a functional feature, and the limitations that are a part of patent law should not be circumvented by obtaining a trademark rather than a patent. *See generally* 1 J. McCarthy, *Trademarks and Unfair Competition* § 7:26, pp. 235-37 (2d ed. 1984).

Silstar also argues that the feature in question is nothing more than a combination of colors, which is not the proper subject of a trademark. Several cases state that a trademark cannot be used to monopolize a color or combination of colors. *See, e.g., M-C Indus-*

reason to limit the holding of *Park 'N Fly* to the "merely descriptive" attack. The Court's emphasis on the statutory language and the limited bases upon which an incontestable trademark can be challenged would lead to the same outcome in this case: The statute does not allow a defendant charged with trademark infringement to challenge the validity of the trademark except for one of the eight reasons provided in the statute.[7]

Silstar argues that several important policy considerations support carving out an exception to incontestability based on functionality. Similar policy arguments have been advanced many times before,[8] however, and several such arguments were expressly rejected by the Supreme Court in *Park 'N Fly*. *See* 105 S. Ct. at 664-66. For the reasons expressed in that case, this court is constrained

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tries, Inc. v. Precision Dynamics Corp., 634 F.2d 1211 (9th Cir. 1980).

For the reasons discussed, Silstar may not challenge Shakespeare's incontestable trademark on either of these grounds.

[7] Silstar's precise argument was advanced in the case of *Keds Corp. v. Renee International Trading Corp.*, 888 F.2d 215 (1st Cir. 1989), although the court rejected the factual basis upon which the argument rested rather than the rule of law that a functionality argument cannot be used to challenge an incontestable trademark. There the court stated: "We agree with the district court that in this case the functionality argument has no merit. The district court ruled that the Keds mark was not generic or functional within the meaning of the Act. Because we decide that functionality is not applicable here, we decline to determine whether functionality can ever be a defense to an infringement claim [against an incontestable mark]."

[8] McCarthy summarizes the courts' reactions to these policy arguments as follows: "For various reasons, the federal judiciary strongly resisted giving the status of incontestability its full statutory scope. During the period 1947 to 1976 the major method by which most courts managed to severely limit incontestability was to adopt what was known as the 'offensive-defensive' distinction." McCarthy goes on to criticize this distinction, which was expressly rejected by the Supreme Court in *Park 'N Fly*.

to interpret the plain language of the Act and to refrain from engrafting onto the Act additional exceptions to the doctrine of incontestability based upon Silstar's policy arguments. This court's responsibility "is not to evaluate the wisdom of the legislative determinations reflected in the statute, but instead to construe and apply the provisions that Congress enacted." *Park 'N Fly*, 105 S. Ct. at 666.

Silstar's challenges based upon functionality and descriptiveness/color [9] must fail for the reasons discussed *supra*. To summarize, the statute provides that incontestability is "conclusive evidence of the validity of the registered mark." 15 U.S.C. § 1115(b). This language, combined with the Supreme Court decision in *Park 'N Fly*, makes clear that Silstar is limited to the statutory bases for challenging an incontestable trademark. "Functionality" and "color" are simply not among those bases.

c. *Statutory Exceptions to Incontestability*

At the eleventh hour, Silstar offered three additional arguments that fall within the bases enumerated in the statute for challenging an incontestable trademark. It is worth noting at the outset that these arguments are affirmative defenses that have not been pled, *see* 2 J. McCarthy, *Trademarks and Unfair Competition* § 32:43-32:45, pp. 754-764 (2d ed. 1984); however, this court will briefly address these arguments to determine whether, if Silstar amended its answer to assert these affirmative defenses, it would be likely to defeat Shakespeare's infringement claim. Significant to the analysis of *Shakespeare's* likelihood of success on the merits is the fact that *Silstar* would bear the burden of proving each of these defenses.

First, Silstar argues that the "fair use" defense found at 15 U.S.C. § 1115(b)(4) offers it protection. That section provides an exception to incontestability for:

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[9] Silstar effectively abandoned its "color" theory at the hearing on this matter, conceding that the *Park 'N Fly* decision would foreclose that attack.

> the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin[.]

15 U.S.C. § 1115(b)(4). This fair use defense applies most easily to word trademarks, allowing "a junior user to use the descriptive term in good faith in its primary, descriptive sense." 1 J. McCarthy, *Trademarks and Unfair Competition*, § 11:17 (2d ed. 1984). Silstar's argument is that the use of the clear-tipped rods is done in a "descriptive sense" rather than in a "trademark sense."

In the absence of any persuasive authority, however, this court is reluctant at this point to extend the "fair use" defense to the facts of this case. The language of that section and in the cases that have considered it does not easily fit the clear-tipped rods at issue in this case. Silstar has cited only one unpublished decision it argues is support for its position. In that case, *Barnes Group, Inc. v. Connell Limited Partnership*, 1990 WL 25049 (D. Del. 1990), the court considered applying the "fair use" defense to a color trademark, but found the defense "tenuous." The court went on to note that such a defense required a finding that the mark "over time . . . came to have a descriptive meaning which apparently is recognized and used throughout the market," and concluded that there was no basis for such a finding in that case.

Similarly, this court has concerns about whether 15 U.S.C. § 1115(b)(4) has any application to the mark in question. Even if it does, however, as in *Barnes*, there is nothing in the record to allow the court to find that the mark has attained a descriptive significance that is recognized throughout the market. Preliminarily, it would appear that 15 U.S.C. § 1115(b)(4) offers Silstar no help in this case.

The second allowable defense that Silstar has raised is that the clear-tipped rods have become "generic" as that term is used in 15 U.S.C. § 1065(4). That section provides:

> [N]o incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered.

In addition, 15 U.S.C. § 1064(3) provides that a mark may be canceled at any time:

> if the registered mark becomes the generic name for the goods or services . . . . The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

As McCarthy explains, the difference between "genericness" and "trademark" is the difference between answering the questions "What are you?" and "Where do you come from?" Silstar's argument, in essence, is that the clear-tipped rods answer the question "We are fiberglass tipped rods" rather than "We are Shakespeare rods."

Again, however, Silstar has cited no strong authority for its position that these provisions are intended to apply to the type of mark at issue in this case. More important, even assuming that 15 U.S.C. § 1064(3) has some potential application to this mark, Silstar has offered no evidence whatsoever on the significance of the mark to the relevant public, which is the test required by 15 U.S.C. § 1064(3). *See also Anheuser-Busch, Inc. v. Stroh Brewery*, 750 F.2d 631 (5th Cir. 1954). There is a strong presumption that the mark is not generic, and Silstar bears a heavy burden in overcoming that presumption. 1 J. McCarthy, *Trademarks and Unfair Competition*, § 12:2, p. 528 (2d ed. 1984). In the absence of any evidence whatsoever submitted by Silstar on this point, this

court has no basis upon which it can even consider applying the "generic" exception to incontestability.

The third allowable defense that Silstar has raised is its contention that by allowing other custom rod manufacturers to sell the rods in question without the Shakespeare name on them, Shakespeare has "misrepresented the source" of those rods and falls within the exception to incontestability found at 15 U.S.C. § 1115(b)(3). That section provides a defense to incontestability on the basis

> [t]hat the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used[.]

15 U.S.C. § 1115(b)(3).

This court agrees with Shakespeare that the "misrepresentation of source" defense has no application to the facts of this case. The doctrine is an unclean hands defense that applies to intentional acts of applying the trademark in question to items not produced by the owner of the mark. The result and presumably the goal of such a practice is to mislead the consumer into believing that the trademark owner produced the goods. *See generally* 2 J. McCarthy, §§ 31.15, *et seq.* (2d ed. 1984). Shakespeare cites the case of *Getty Petroleum Corp. v. Shore Line Oil Co.*, 642 F. Supp. 203 (E.D.N.Y. 1986) as an example of the proper application of this exception. In that case, Getty had allowed gasoline purchased from other sources to be sold under its trademark. The court responded by refusing to enforce the trademark. 642 F. Supp. at 205.

In this case, Shakespeare has not allowed its mark to be placed on anything other than Shakespeare manufactured rods. The allegation that some clear-tipped rods were sold to other custom rod manufacturers who had the

option of removing the Shakespeare name from the rod does not fit this equitable defense. The mark in question at all times designated the source of the rod, and there is no evidence of deceit within the meaning of this section. Shakespeare's practice of allowing others to use clear-tipped rods arguably diluted the strength of its mark somewhat, but it certainly did not constitute a "misrepresentation as to source."

D. *Likelihood of Confusion*

Although Silstar's challenges to the incontestability of the trademark appear to be without merit, incontestable status does not relieve Shakespeare of the burden of establishing infringement. *See Oreck Corp. v. U.S. Floor Systems, Inc.*, 803 F.2d 166 (5th Cir. 1986) ("[i]ncontestable status does not make a weak mark strong"). The statute provides that the test for infringement is "whether the use of the accused copy or colorable imitation of the registered mark is 'likely' to cause confusion, or to cause mistake, or to deceive." 15 U.S.C. § 1114(1). In *Pizzeria Uno Corp. v. Temple*, 747 F.2d 1522 (4th Cir. 1984), the Fourth Circuit listed several factors to be considered in analyzing the likelihood of confusion:

a) the strength or distinctiveness of the mark;

b) the similarity of the two marks;

c) the similarity of the goods/services the marks identify;

d) the similarity of the facilities the two parties use in their businesses;

e) the similarity of the advertising used by the two parties;

f) the defendant's intent;

g) actual confusion.

Id. at 1527. The court emphasized that "not all of these factors are always relevant or equally emphasized in each case." *Id.*[10]

1. *Strength of the Mark*

Shakespeare argues that the contrasting color scheme has become accepted as identifying Shakespeare products. According to the affidavit of Timothy Fraylick, Shakespeare sells 400,000 rods per year with the design in question. Plaintiff's exhibits 4-18 are fishing equipment catalogs [1977-1990] that clearly associate the Shakespeare name with clear tipped rods. *See, e.g.*, Plaintiff's Exhibit 4, p. 18 ("Look for Ugly Stik rods with strong, clear tips at your local tackle dealers. The strong, clear tip identifies Shakespeare's new top quality Ugly Stik rods, that are unbreakable under normal fishing conditions."). In addition, the many affidavits submitted to the PTO during the application process state that the distinctive, clear portion of the rods are associated with the Shakespeare name. *See* Plaintiff's Exhibit 3.

Silstar argues in the response that there has been a proliferation in the industry of rods with colored tips, including rods with whitish colored tips. It points out that Shakespeare itself sells rods with several color combinations, and it also points out that Shakespeare sells these clear-tipped rods to other manufacturers who then finish the rods and sell them to the public with no indication that Shakespeare played any part in the manufacturing process. In addition, Silstar points out that the company name is conspicuous on its packaging. Silstar has offered the affidavit of Mark Skrocki as support for each of these points.

It appears from the evidence provided by Shakespeare that the clear-tipped rods can preliminarily be considered

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[10] Although this discussion has focused on the trademark infringement claim, the unfair competition claim based upon 15 U.S.C. § 1125(a) is controlled by this same test. *See Pizzeria Uno*, 747 F.2d 1522 (4th Cir. 1984).

a relatively strong mark. Four hundred thousand (400,000) clear-tipped Shakespeare rods are sold each year. The advertising specifically associates the design with the Shakespeare name. In addition, the affidavits contained in Plaintiff's Exhibit 3 indicate that the design is associated with Shakespeare. Although the arguments made by Silstar, if established, would tend to weaken the mark somewhat, based on the evidence presented thus far, the clear-tipped rod design would appear to be a relatively strong mark.

2. *Similarity of the Two Marks*

Shakespeare characterizes the Shakespeare and Silstar rods as "nearly identical," a point that Silstar does not offer much to contradict. An examination of the rods in question, plaintiff's exhibits 23 and 25, leads to the inevitable conclusion that the two rods are virtually identical.

3. *Similarity of the Goods, Facilities, Advertisements*

Shakespeare points out that the goods are identical (i.e., both fishing rods), and that they are advertised in much the same way and in the same publications. Silstar has offered nothing in rebuttal on this point. The fact that both products are fishing rods strongly supports a finding of likelihood of confusion. In addition, these rods would be sold in the same *types* of stores, and both products are undoubtedly sold in the very same stores. Confusion is certainly likely to result in light of this similarity of goods, facilities, and advertisements.

4. *Defendant's Intent*

Shakespeare states that "[t]he design of Silstar is obvious, as it is the natural tendency of their actions to result in deception." It points out that Silstar's current president, Berthold Ross, was a Vice President of Shakespeare who participated in obtaining the federal registration for

Shakespeare's Rod Design Trademark. As a preliminary inference, it is reasonable to conclude that intentional copying may very well have occurred in this case. *See John Walker & Sons, Ltd. v. Bethea*, 305 F. Supp. 1302 (D.S.C. 1969).

E. *Preliminary Injunction Factors*

This court has determined that Silstar's challenges to the validity of the trademark are likely to fail, and that Shakespeare is likely to succeed in showing a "likelihood of confusion." According to *Blackwelder Furniture Co. v. Seilig Manufacturing Co.*, 550 F.2d 189, 193-96 (4th Cir. 1977), this court is now required to consider three additional factors: (1) the likelihood of irreparable harm to the plaintiff without the injunction; (2) the likelihood of harm to the defendant with the injunction; and (3) the public interest.

Shakespeare is clearly likely to be harmed if Silstar is allowed to market its clear-tipped rods. The likelihood of confusion that would follow the sale of Silstar's rods would result in loss of business for Shakespeare. In addition, this consumer confusion raises the usual concern in trademark cases that a look-alike product may damage the reputation of the trademark holder. *See, e.g., Omega Importing Corp. v. Patri-Kine Camera Co.*, 451 F.2d 1190 (2d Cir. 1971). Many courts have held that where the likelihood of confusion is great, irreparable injury to the plaintiff follows as a matter of course. *See, e.g., Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852 (7th Cir. 1982). It is clear in this case that the potential harm to Shakespeare is significant.

Although Silstar is likely to suffer some financial harm from an injunction, this harm does not weigh heavily in the "flexible interplay" of these factors. As noted *supra*, the record reflects that Silstar's president was an officer at Shakespeare when the application for the trademark was submitted, and the inference of intentional copying

is certainly a reasonable one. In addition, Silstar's clear-tipped product line is in its infancy. As one court noted:

> A preliminary injunctive decree is sometimes an act of kindness to the party enjoined. It cuts him off from a business life which, from all the portents, would involve a series of trademark frustrations. By the time he would have obtained some modicum of success, it might be taken away by court decree, making him start all over again. It is more consonant with equity to enjoin him at the threshold of his enterprises.

George Washington Mint, Inc. v. Washington Mint, Inc., 349 F. Supp. 255 (S.D.N.Y. 1972). Finally, Silstar's revenues from its other, more established products would be unaffected by this injunction. For all of these reasons, Silstar's potential financial losses, while probably very real, are not of primary significance in the flexible interplay of these factors.[11]

Primarily because Shakespeare appears very likely to succeed on the merits of its claims against Silstar, this court has determined that the motion for a preliminary injunction should be granted. Based upon the stated reasoning and cited authorities, it is hereby ordered that during the pendency of this action, and until further order of the court, Silstar Corporation of America, Inc., its officers, directors, employees, servants, agents, affiliates, attorneys, and all persons acting in concert with them, who receive actual notice of this order by personal service or otherwise, are enjoined from doing, aiding, contributing to, causing, or abetting any of the following:

(a) distributing, marketing, advertising, promoting, holding for sale, or selling fishing rods bearing or using any colorable imitation or confusingly similar facsimile of the Shakespeare Company clear-tipped fishing rod

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[11] Finally, the public interest is served by preventing a confusingly similar, indeed identical, product from entering the market.

trademark described and defined in Trademark Registration No. 1,261,786, (the "Trademark") attached as Exhibit A to the Complaint, or any counterfeits, copies, or colorable imitations thereof;

(b) using on or in connection with the sale, distribution, promotion, and/or marketing of any fishing rods or on any packaging, cartons, labels, display cards, wrappers, promotional materials, or advertising matter of any nature whatsoever, any colorable imitation or confusingly similar facsimile of the "Trademark"; or

(c) distributing, marketing, advertising, promoting, holding for sale, or selling the Silstar Power Tip Crystal line rod, which for purposes of this order, the court has determined to be a colorable imitation and confusingly similar to the Shakespeare "Trademark."

Pursuant to Federal Rule of Civil Procedure 65(c), Shakespeare is ordered to give a $25,000.00 bond as security for the payment of such costs and damages as may be incurred or suffered in the event that Silstar is later determined to have been wrongfully enjoined.

IT IS SO ORDERED, Rule 65(b), Fed. R. Civ. Proc., at Columbia, South Carolina, this 5th day of October, 1990.

/s/ Clyde H. Hamilton
CLYDE H. HAMILTON
United States District Judge

APPENDIX F

FILED July 3, 1997

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 95-3208
CA-90-1695-3-19

SHAKESPEARE COMPANY,
Plaintiff-Appellant

v.

SILSTAR CORPORATION OF AMERICA, INCORPORATED,
Defendant-Appellee

ON PETITION FOR REHEARING WITH
SUGGESTION FOR REHEARING IN BANC

Appellant filed a petition for rehearing with suggestion for rehearing in banc.

Judge Widener voted to grant panel rehearing. Judges Murnaghan and Niemeyer voted to deny.

A member of the Court requested a poll on the suggestion for rehearing in banc, and a majority of the judges voted to deny rehearing in banc. Judges Widener, Hall, Ervin, Luttig, Michael, and Motz voted to rehear the case in banc, and Chief Judge Wilkinson, and Judges Russell, Murnaghan, Wilkins, Niemeyer, and Williams voted against rehearing in banc. Judge Hamilton is disqualified and did not participate in the voting.

The Court denies the petition for rehearing with suggestion for rehearing in banc.

Entered at the direction of Judge Niemeyer for the Court.

For the Court,

/s/ Patricia S. Connor
Clerk

FILED July 10, 1997

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 95-3208
CA-90-1695-3-19

SHAKESPEARE COMPANY,
Plaintiff-Appellant

v.

SILSTAR CORPORATION OF AMERICA, INCORPORATED,
Defendant-Appellee

CORRECTED ORDER

Appellant filed a petition for rehearing with suggestion for rehearing en banc.

Judge Widener voted to grant panel rehearing. Judges Murnaghan and Niemeyer voted to deny.

A member of the Court requested a poll on the suggestion for rehearing en banc, and a majority of the judges did not vote to grant rehearing en banc. Judges Widener, Hall, Ervin, Luttig, Michael, and Motz voted to rehear the case en banc, and Chief Judge Wilkinson, and Judges Russell, Murnaghan, Wilkins, Niemeyer, and Williams voted against rehearing en banc. Judge Hamilton is disqualified and did not participate in the voting.

The Court denies the petition for rehearing with suggestion for rehearing en banc.

Entered at the direction of Judge Niemeyer for the Court.

For the Court,

/s/ Patricia S. Connor
Clerk

APPENDIX G

STATUTORY PROVISIONS

15 U.S.C. § 1064 provides as follows:

§ 1064. Cancellation of registration

A petition to cancel a registration of a mark, stating the grounds relied upon, may, upon payment of the prescribed fee, be filed as follows by any person who believes that he is or will be damaged by the registration of a mark on the principal register established by this chapter, or under the Act of March 3, 1881, or the Act of February 20, 1905:

(1) Within five years from the date of the registration of the mark under this chapter.

(2) Within five years from the date of publication under section 1062(c) of this title of a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905.

(3) At any time if the registered mark becomes the generic name for the goods or services, or a portion thereof, for which it is registered, or has been abandoned, or its registration was obtained fraudulently or contrary to the provisions of section 1054 of this title or of subsection (a), (b), or (c) of section 1052 of this title for a registration under this chapter, or contrary to similar prohibitory provisions of such prior Acts for a registration under such Acts, or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used. If the registered mark becomes the generic name for less than all of the goods or services for which it is registered, a petition to cancel the registration for only those goods or services may be filed. A registered mark shall not be deemed to be the generic name of goods

or services solely because such mark is also used as a name of or to identify a unique product or service. The primary significance of the registered mark to the relevant public rather than purchaser motivation shall be the test for determining whether the registered mark has become the generic name of goods or services on or in connection with which it has been used.

(4) At any time if the mark is registered under the Act of March 3, 1881, or the Act of February 20, 1905, and has not been published under the provisions of subsection (c) of section 1062 of this title.

(5) At any time in the case of a certification mark on the ground that the registrant (A) does not control, or is not able legitimately to exercise control over, the use of such mark, or (B) engages in the production or marketing of any goods or services to which the certification mark is applied, or (C) permits the use of the certification mark for purposes other than to certify, or (D) discriminately refuses to certify or to continue to certify the goods or services of any person who maintains the standards or conditions which such mark certifies.

Provided, That the Federal Trade Commission may apply to cancel on the grounds specified in paragraphs (3) and (5) of this section any mark registered on the principal register established by this chapter, and the prescribed fee shall not be required.

15 U.S.C. § 1065 provides as follows:

§ 1065. Incontestability of right to use mark under certain conditions

Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5)

of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable: Provided, That—

(1) there has been no final decision adverse to registrant's claim of ownership of such mark for such goods or services, or to registrant's right to register the same or to keep the same on the register; and

(2) there is no proceeding involving said rights pending in the Patent and Trademark Office or in a court and not finally disposed of; and

(3) an affidavit is filed with the Commissioner within one year after the expiration of any such five-year period setting forth those goods or services stated in the registration on or in connection with which such mark has been in continuous use for such five consecutive years and is still in use in commerce, and the other matters specified in paragraphs (1) and (2) of this section; and

(4) no incontestable right shall be acquired in a mark which is the generic name of the goods or services or a portion thereof, for which it is registered.

Subject to the conditions above specified in this section, the incontestable right with reference to a mark registered under this chapter shall apply to a mark registered under the Act of March 3, 1881, or the Act of February 20, 1905, upon the filing of the required affidavit with the

Commissioner within one year after the expiration of any period of five consecutive years after the date of publication of a mark under the provisions of subsection (c) of section 1062 of this title.

The Commissioner shall notify any registrant who files the above-prescribed affidavit of the filing thereof.

15 U.S.C. § 1114(1) provides in pertinent part as follows:

§ 1114. Remedies; infringement; innocent infringement by printers and publishers

(1) Any person who shall, without the consent of the registrant—

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
>
> (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive.

shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) of this section, the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive.

15 U.S.C. § 1115 provides as follows:

§ 1115. Registration on principal register as evidence of exclusive right to use mark; defenses

(a) Evidentiary value; defenses

Any registration issued under the Act of March 3, 1881, or the Act of February 20, 1905, or of a mark registered on the principal register provided by this chapter and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce on or in connection with the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude another person from proving any legal or equitable defense or defect, including those set forth in subsection (b) of this section, which might have been asserted if such mark had not been registered.

(b) Incontestability; defenses

To the extent that the right to use the registered mark has become incontestable under section 1065 of this title, the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the registered mark in commerce. Such conclusive evidence shall relate to the exclusive right to use the mark on or in connection with the goods or services specified in the affidavit filed under the provisions of section 1065 of this title, or in the renewal application filed under the provisions of section 1059 of this title if the goods or services specified in the renewal are fewer in number, subject to any conditions or limitations in the registration or in such affidavit or renewal applica-

tion. Such conclusive evidence of the right to use the registered mark shall be subject to proof of infringement as defined in section 1114 of this title, and shall be subject to the following defenses or defeets:

(1) That the registration or the incontestable right to use the mark was obtained fraudulently; or

(2) That the mark has been abandoned by the registrant; or

(3) That the registered mark is being used, by or with the permission of the registrant or a person in privity with the registrant, so as to misrepresent the source of the goods or services on or in connection with which the mark is used; or

(4) That the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, of the party's individual name in his own business, or of the individual name of anyone in privity with such party, or of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party, or their geographic origin; or

(5) That the mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party or those in privity with him from a date prior to (A) the date of constructive use of the mark established pursuant to section 1057(c) of this title, (B) the registration of the mark under this chapter if the application for registration is filed before the effective date of the Trademark Law Revision Act of 1988, or (C) publication of the registered mark under subsection (c) of section 1062 of this title: Provided, however, That this defense or defect shall apply only for the area in which such continuous prior use is proved; or

(6) That the mark whose use is charged as an infringement was registered and used prior to the registration under this chapter or publication under subsection (c) of section 1062 of this title of the registered mark of the registrant, and not abandoned: Provided, however, That this defense or defect shall apply only for the area in which the mark was used prior to such registration or such publication of the registrant's mark; or

(7) That the mark has been or is being used to violate the antitrust laws of the United States; or

(8) That equitable principles, including laches, estoppel, and acquiescence, are applicable.

15 U.S.C. § 1119 provides as follows:

§ 1119. Power of court over registration

In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Commissioner, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.